

PART 10 ends:-

J.B. UNWIN to DN 23/12/86

PART 11 begins:-

SS/DGS to PM 22/1/87.

Thanks
for

David
16.30-17.30 on
Monday 26.
CR



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DRN

S/F 6/1

CCB

P 02424

Caroline

From: J B UNWIN

23 December 1986

MR NORNGROVE - No 10

Could you find a
how far we towards the
end of the month to mark as
and let DE S/L know the time. This is
KIF IN Polytechnics
and Brian Unwin
provisional, as one to be invited yet.

FUTURE OF THE POLYTECHNICS

Thanks - David.

Following the Prime Minister's meeting the other week I asked DES to prepare a timetable of the further work necessary in preparation for publishing a White Paper around next Easter.

2. You may like to have the attached chart they have now sent over to me. This has not yet been cleared with DES Ministers, and is still rather unspecific, but it at least gives a useful conspectus of the ground that needs to be covered.

3. On handling, you will see that DES are thinking of a further meeting taken by the Prime Minister before the end of January. It would perhaps be as well to start earmarking a provisional date for this, so that DES can be given a firm target. The chart also assumes consideration by H Committee in February. I think this is probably the right forum when the proposals are in an advanced state, but we shall need to consider this further nearer the time.

J B UNWIN

Cabinet Office

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PLG: KEY DECISIONS AND TIMETABLE LEADING TO PUBLICATION OF WHITE PAPER IN APRIL 1987

Issue	Before end of: January	February	March
<p>1. <u>Polytechnics and Colleges Grants Ctte (PCGC)</u></p> <p>a. functions; degree of executive authority</p> <p>b. relationship with Ministers, colleges, UGC, etc</p>	<p>Consideration by PM's inner group of Ministers</p>	<p>[Consideration by H Cttee]</p>	<p>Finalise draft of White Paper: clear with PM and Ministers</p>
<p>2. <u>Colleges to be transferred from LEAs</u></p> <p>a. definition for selection</p> <p>b. funding of NAFE in transferred colleges</p>	<p>Consideration by PM's inner group of Ministers - possible approach to House Authorities on hybridity</p>	<p>[Consideration by H Cttee] Approach to House Authorities on hybridity (if not January)</p>	<p>Decisions arising from hybridity discussion; incorporate in final draft of WP</p>
<p>3. <u>Colleges left with LEAs</u></p> <p>a. extent of PCGC's planning and funding responsibilities</p>	<p>Consideration by PM's inner group of Ministers</p>	<p>[Consideration by H Cttee]</p>	<p>Finalise draft of WP</p>
<p>4. <u>Voluntary/Direct Grant Colleges</u></p> <p>a. PCGC's planning/funding remit</p> <p>b. alternative arrangements for colleges for whom PCGC is not appropriate</p>	<p>Agree outline proposals internally; clear with SoS</p> <p>Agree outline proposals internally; clear with SoS</p>		<p>Finalise draft of WP</p> <p>Finalise draft of WP</p>
<p>5. <u>Finance</u></p> <p>a. recurrent and capital transfer from local to central Govn; removal of topping up</p> <p>b. outline of funding mechanism between DES, PCGC and colleges</p>	<p>Consideration by PM's inner group of Ministers</p> <p>Discussions with Treasury and DOE - clearance by SoS</p>	<p>[Consideration by H Cttee]</p> <p>[Consideration by H Cttee]</p>	<p>Finalise draft of WP</p>

c. funding for HE in colleges left with LEAs and for NAFE in transferred colleges

d. position of former local authority colleges in respect of VAT, etc

6. NAB

a. contingency plans

b. outline proposals for winding up

7. Employer/staff negotiations in institutions transferred

a. on pay and pension provision

8. UK knock on effects

a. application to Wales; implications for Scotland and NI

9. Other issues

a. transfer of debts/assets

b. articles of Govn/constitution for transferred colleges

c. reserve powers for SoS

Higher Education White Paper

Discussion with Treasury and DOE - clearance by SoS

Internal discussions

Internal proposals: implication of Teachers' Pay and Conditions Bill

Discussions begin at official level

Detailed consideration begins with Treasury on transfer of debts/assets

Revisions to first draft

[Consideration by H Cttee]

Discussion with Treasury and DOE

Discussions with Treasury

[Ministers brought in at H Cttee]

Changes arising from PM's inner group [and H Cttee]

Finalise decisions [clear with SoS]

Draft letters to NAB, LAAs

Clear WP with Wales, Scotland and NI

Finalise draft. Prepare for publication

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SP



CCBG

cc Questions

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Prime Minister 4

David Norgrove Esq
Private Secretary
10 Downing Street
London SW1

DNW
18/12

~~NEA~~

18 December 1986

To see

DNW
19/12

Agreed
ms

Dear David

FINANCIAL AUTONOMY IN SCHOOLS

Thank you for your letter of 8 December.

My Secretary of State, and Mr Dunn, have meantime drawn attention to the Cambridgeshire and Solihull experiments and endorsement by the Prime Minister of such schemes would be helpful. I enclose a suggested line to take.

Government support of this very desirable trend should respect the difficulty of the task which the enthusiasts in the field themselves acknowledge. My Secretary of State is concerned that we should not push those who are actively getting on with the good work into going so fast that it fails to produce the benefits.

The schemes are at present very young, and flower only occasionally, even in Cambridgeshire and Solihull. In the former Authority after 4 years, only 6 out of 48 secondary schools are in the scheme, and one out of 272 primary schools, and in the latter, only 7 secondary schools and 3 primary schools out of 19 and 73 respectively.

I am sending copies of this letter to Tony Kuczys (HM Treasury) and Robin Young (DOE).

Yours ever

Shirley

MRS S J TRUNDLE
Private Secretary

FINANCIAL AUTONOMY IN SCHOOLS

Line to take

The Government favours increased financial delegation to school governing bodies and the new Education Act supports that policy. We would like all LEAs to move forward as some already have. The Audit Commission have pointed out that, to make a success of this very desirable change, delegation needs to be extended gradually after careful preparation and with constant monitoring.

Education: Policy PT10





6 fle kb
LOS AUZ
cc Prof Griffiths

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 December 1986

BETTER SCHOOLS

The Prime Minister this morning discussed with your Secretary of State, the Chancellor of the Exchequer and the Secretary of State for the Environment the papers on education circulated with Sir Robert Armstrong's minute (undated) to the Prime Minister. Professor Brian Griffiths (Policy Unit, No. 10) was also present.

BF //

It was agreed after discussion that your Secretary of State should prepare a further paper by the end of January, and earlier if possible, for discussion by the Group. This should develop proposals for legislation to be introduced in the first year of the next Parliament. It should bring together proposals for devolution of much greater powers to governing bodies and head teachers, for a national curriculum or syllabus in both primary and secondary schools, for withdrawal of responsibility for polytechnics from local authorities (along the lines discussed at the Group's last meeting) and for changes to student finance and the funding of the National Union of Students. The paper should further discuss ways in which schools might be given the ability to opt out of management by local education authorities and how such schools might be funded on the per capita model. (It was agreed that the ability to opt out would be most relevant in the early years to secondary schools.) The paper should also consider how individual parents could be given the ability to opt out of poor schools and transfer their children to the schools of their choice.

I am copying this letter to Alex Allan (H.M. Treasury), Robin Young (Department of the Environment) and Trevor Woolley (Cabinet Office).

DAVID NORGROVE

Rob Smith, Esq.,
Department of Education and Science.

C O N F I D E N T I A L



DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON
SW1

~~cc BG~~
NT GR
10/12/86

MEK
- Any further action
req'd following
this meeting?

16th

December 1986

n/a.
17/12
17/12

Dear David,

Meeting with Baroness Cox

Thank you for your letter of 2 December.

As regards good schools, and good sixth forms, the Prime Minister will recall that the draft Circular "Providing for Quality" about which my Secretary of State consulted her earlier, makes clear the need to preserve what is best in the existing system and to maintain as broad a parental choice as practicable. Mr Baker will continue to consider statutory proposals which come forward - from Leeds or elsewhere - against these criteria.

As regards the promotion of homosexuality in schools and the Earl of Halsbury's Bill, the Secretary of State for the Environment and my Secretary of State take the view, which L Committee has accepted, that, though the principles of the Bill should be supported, it should be allowed to fall on the grounds that the recent Education Act should ensure that homosexuality is not promoted in schools more effectively than the Bill would. The content of the curriculum of sex education will be in the hands of the governing bodies.

The Secretary of State shares Lady Cox's concerns about the abuses of anti-racism. A worthy cause is being used by a small number of local authorities for political - even undemocratic - ends. Although the nature of his default powers limits his scope for action in many cases, he is determined to act whenever and wherever he can against instances of this sort. He has made his position clear on the treatment by Brent of Miss McGoldrick, Head of Sudbury Infants School, and he is in the process of using his statutory powers under the Education Acts to direct them not to proceed with disciplining her.

As regards the ILEA publication for children on Auschwitz, ILEA agreed last Spring to revise the guidance given to teachers using the Auschwitz pack. Copies of the revised guidance will be issued to all known purchasers of the teaching pack very shortly.

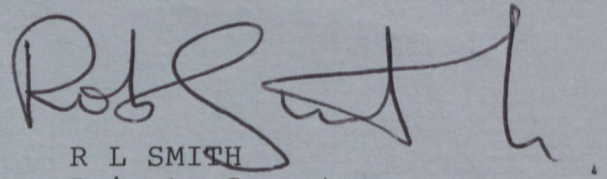
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As regards incentives to parents who wish to take their children out of the State system, the Assisted Places Scheme already caters for able children. City Technology Colleges, the plans for which are developing well, will provide for children of a wider range of abilities and should secure good examination and other results for their pupils. I should add that the evidence we have of the John Loughborough School, which is run by the Seventh Day Adventist Church, suggests that its examination results do not compare favourably even with those in ILEA schools.

Yours sincerely,


R L SMITH
Private Secretary

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cc: Professor Griffiths

PRIME MINISTER

EDUCATION

The problem with these papers seems to me to be the turgid Cabinet Office brief rather than the detailed material, which contains some useful analysis (as well as dross) as follows:

- i) Models of a per capita funding regime: worth reading throughout (the second half is much the more interesting);
- ii) Appendix A: worth only a glance - it seems to me to show conclusively that Mr. Ridley's option is too blunt: there must be some variation in per capita payments; but see the discussion of capital starting at paragraph 15;
- iii) Appendix B: simply shows that a very large number of dedicated school Governors will be needed;
- iv) Appendix C: transport - important but a second order problem which you need not discuss;
- v) Appendix D: Mr. Ridley's option;
- vi) Note by DOE on local authority finance. The first half-dozen pages give all you need. A central question. See in particular the analysis of the distributional effects when taken with the Green Paper proposals on reform of local authority finance.

There are four "models" in the papers

- the Ridley option
- officials' radical option
- officials' less radical option
- Brian Griffiths' option

The less radical option seems to me closest to the position reached in earlier meetings of your group. Brian Griffiths sees his option as differing from the less radical option mainly in its presentation and in the fact that it would give more discretion to local authorities in setting the levels of per capita grants.

The next stage might be a paper on your preferred option to be put to a slightly wider group of Ministers. Alternatively, officials could work further on the preferred option until you see Mr. Ridley's proposals on housing.

Julie Bowers

Duty Clerk

PP

DAVID NORGROVE

16 December 1986



CCBS ✓

DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON SW1A 2AT

15 December 1986

Jim Willie,

WBM

EDUCATION, SCIENCE AND ARTS COMMITTEE

REPORT ON PUBLIC EXPENDITURE

Nick Ridley wrote to me, and John MacGregor to you, on 11 December with suggestions for adding material to the revised draft reply which I circulated on 5 December.

John and Nick offer alternative ways of making the same point. John's text seems to me to fit much better into the draft as it stands. I have only one point on it; the Audit Commission has identified in education not "savings" but "opportunities to improve value for money". The distinction is important because the Commission makes the point that the reductions in expenditure which it finds possible could either be taken as savings or used to improve other aspects of the service. Accordingly I propose the following addition to paragraph 17 of the draft reply;

"In that context the Audit Commission has identified opportunities worth between £0.75 and 1 billion to improve value for money in current expenditure on local authority education, including most recently £500-700 million a year by 1990 from rationalising provision in response to falling secondary school rolls. The Government believes that if these and other opportunities were seized, LEAs could make good progress with national and local policies for improving quality of education at a substantially lower level of expenditure."

I hope that with this addition you will feel able to clear the text of the reply for publication very early in the New Year.

I am copying this letter to the Prime Minister, members of H Committee and to Sir Robert Armstrong.

Jim Willie
WBM



EDUCATION

POLICY

PT 10

CCBG ✓

12.12.86

CCRTA
ECBU

DES have 4

determined to stop

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PRIME MINISTER

In accordance with the conclusions of your meeting on 3 November, I have arranged for a small group of senior officials from the Department of Education and Science, the Department of the Environment, the Treasury, No 10, and the Cabinet Office, to give further consideration to the implications of reform of the maintained schools system based on the introduction of 'per capita funding'.

Handwritten notes: We reform the work by swapping it with deficit and loss of right of fundamental objective. Led letter see

2. The results so far of my group's work are set out in the attached papers by the Department of Education and Science (DES) on Models of a per capita funding regime and by the Department of the Environment (DOE) on Implications for Local Government Finance and Structure. We have not at this stage sought to carry forward work on teachers' pay and duties or on changes relating to minimum educational standards and a prescribed national curriculum. The first of these is already being pursued, and other topics can be considered in later papers. The present papers cover key issues which need to be addressed on the nature of the system being examined. The scope of the reform considered in these papers is the maintained school system; non-advanced further education colleges might be brought within, but adult education and the youth service would be outside its scope. Separate consideration is being given to polytechnics and other advanced further education following your meeting on 25 November.

Handwritten notes: Kenneth Baker, see, to see how we should take this aspect, not

3. The main issues for consideration on 17 December fall into three categories:

- (1) educational aspects of per capita funding;
- (2) the administrative apparatus needed to make per capita funding workable; and
- (3) the implications for local government finance and structure.



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These issues are, of course, all inter-related. In the remainder of this minute I suggest how you might tackle them.

EDUCATIONAL ASPECTS

4. The essential choice set out in the DES paper is between a system designed to maximise the autonomy of, and competition between, schools (the radical option in the DES paper) and one designed to give parents a greater element of choice (the less radical option). The less radical option necessarily involves much more intervention by the residual body - whatever form it takes - responsible for oversight of schools in decision-taking by governing bodies on the number and characteristics of the pupils they admit and on the type of education they offer. The Department of the Environment has suggested for examination a 'More Radical' option, under which per capita grant would be the sole public funding for schools, which would have to make up any shortfall through fees charged to parents. The social security system would be used as necessary to assist poor parents with fees. Appendix D to the DES paper gives a fuller outline. This model goes beyond the framework contemplated at your 3 November meeting; if you wished to consider it further, DHSS would need to be involved. Meanwhile I have not attempted to cover the option in detail in this note.

Radical Option

5. Under the radical option the autonomy of schools would be maximised so far as is possible without calling into question the compulsory schooling of children aged 5-16. Governing bodies would choose:

- (a) which pupils to admit, and how many;
- (b) which teachers to employ; and
- (c) what kind of education to provide (subject to whatever arrangements were made by Government to prescribe the curriculum and enforce minimum standards).



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6. The formula for the distribution of per capita funding between schools would be kept as simple as possible. It would differentiate broadly for such factors as age and population sparsity but there would be only a minimum provision for discretionary adjustments for individual schools. It would in general be up to parents to secure places in schools for their children. Some minimum apparatus of intervention would, however, be needed on educational aspects (as well as on the provision of premises - see paragraph 12 below):

(a) to ensure that a place in some school was found for all children (including those who were, for whatever reason less attractive to schools);

(b) to provide some assistance with transport costs in remote areas;

(c) to manage local situations in which there were insufficient places available because of population growth or the previous failure of a school; and

(d) to provide appropriately for the appointment of governing bodies for each school.

7. Under the radical option the popular schools would tend to be oversubscribed, and would defend their successful position by restricting entry; they would also be well placed to attract and retain the better teachers. Many parents would be unable to secure the admission of their children to the school of their choice.

Less Radical Option

8. The less radical option would shift the balance towards parents by:

(a) enforcing some measure of open enrolment;



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(b) giving parents a right of appeal against a school's refusal of admission;

(c) restricting the ability of governing bodies to change the character, size or type of a school without reference to the effect on the provision or on the choice available to parents in the area (this would be particularly important in the transitional period);

(d) devoting more of the education budget to providing assistance towards transport.

9. The less radical option might also qualify the per capita grant formula to allow more flexibility for discretionary adjustments to be made for individual schools.

10. Under the less radical option the autonomy of schools would be considerably qualified by the activities of the supervisory body charged with these responsibilities, and the power to adjust grant for individual schools would further strengthen the position of such a body.

THE ADMINISTRATIVE APPARATUS

11. It is axiomatic under either model that the total provision for the schools system, and the per capita funding formula for its distribution to schools, would be the responsibility of the Secretary of State who would need some administrative apparatus to distribute the money. Responsibility for adjusting the grant to individual schools would fall to the apparatus charged with the other main supervisory functions in relation to governing bodies and schools.

12. Provision of premises would also require some intervention. Sufficient provision in the per capita funding formula for all schools to meet all their capital and maintenance costs would result in overprovision for schools in good premises or in areas of declining population and add unnecessarily to overall costs. So some means would have to be found outside the formula for absorbing differences in the costs of premises. We do not yet see



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our way clearly through this problem. One approach would be to extend and develop the system of discretionary grants which now applies to voluntary aided schools. Another approach might be some sort of national pooling, whereby each school would out of its per capita funding rent premises from a central Trust which would be responsible for capital investment and maintenance expenditure (see paragraphs 16-25 of Annex A to the Department of Education and Science paper). The system would be structured so as to set up a financial discipline on the use of property. Administration of the system could either be separate, or part of the functions of the apparatus charged with intervention in the operation of individual schools.

13. A range of other administrative issues would require attention. These arise in connection with the redeployment of non-teaching manpower (estimated at 300,000 full-time equivalents) now employed in the education system. For example, autonomous schools would have to employ people to perform administrative functions now carried out centrally by LEAs. And unless LEAs continued to play a major role, arrangements would have to be made to replace the inspection, advice and support services they now provide to schools; the overall result could be the transfer to central Government of 50-75,000 people. A background paper by the Department of Education and Science on these issues has been circulated to Ministers, but does not need to be discussed on 17 December.

14. In establishing the necessary apparatus the choice seems to be between:

- (1) establishing an administrative network responsible to the Secretary of State, possibly through a quango;
- (2) leaving the task to local authorities (LAs);
- (3) giving the administration to the LAs as agents of central Government.

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15. Under the radical option there would be relatively little for LAs to do, and the system could be operated through a relatively light regional administrative structure either directly under DES or reporting to a quango. As is explained in paragraph 8 above, under the less radical option the intermediary body would have substantial powers, including operation of the discretionary element of the grant system, the oversight role of determining and preserving the pattern of schools in an area, and a role in the appointment of governors. Even though this role is less than LA's present functions, it would probably still attract them. The question then would be whether the Government would be content for local authorities - which no longer had any financial responsibility - to exercise these powers in an unconstrained way, or whether it would wish to centralise the powers and the manpower (perhaps 50-75,000 staff) involved.

FINANCIAL CONSIDERATIONS

16. Under either model, the standard amounts per pupil provided by the formula would inevitably become a major focus of attention like the rates of the main social security benefits. To the extent that there was some discretionary element in the system, e.g. to meet the needs of schools in the process of closing or opening, or with more pupils with special problems, such payments would also be the subject of a good deal of public attention and special pleading. The new system, because it would be more transparent, would provide a clearer focus for such pressures. A strong control system would need to be devised, and very rigorously operated, if the total cash cost were to be held within whatever planned level the Government decided could be afforded within its spending priorities at the time, and to avoid a step change in the cost at the time of transition.

17. Similar considerations apply to the handling of capital costs. Even the preliminary analysis in these papers suggests that an arrangement to bring capital spending within a per capita funding system would need either to be fairly crude, with substantial deadweight cost, or to involve adjustments and

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detailed intervention which would represent a major administrative task. The Government could not, in any case, distance itself from the total amount of capital spending supported effectively from public funds.

LOCAL GOVERNMENT FINANCE AND STRUCTURE

18. Per capita funding on the two schemes described above inevitably transfers the main responsibility for controlling and financing education from local to central Government. It is not, of course, the only model of the reform of education which would have this effect: the same situation would apply if schools were responsible to a Department of Education and Science regional organisation but without the introduction of a per capita funding formula.

19. The options for rebalancing local and central finances to reflect the transfer of the £11.8 billion (in 1986-87) education costs to the centre are conveniently summarised at the front of the Department of the Environment paper. In relation to these proposals, the sensible course would be to appropriate the yield of national non-domestic rates (NNDR) to the central Government and reduce Exchequer Grant to local authorities by enough to balance the books, so keeping the balance between sources of revenue - central taxation, NNDR and local domestic taxation - unchanged. Other proposals affecting the allocation of financial responsibilities as between central and local government (e.g. in respect of housing benefit) are under consideration, and if adopted might require a slightly different approach. But they seem unlikely to change the general picture.

20. The figures can only be illustrative because the values attached to the different elements of costs and revenues in the equation could change between now and the introduction of the system. Assuming the switch did not itself involve a change in the costs of the various local services, average community charge bills (or domestic rate bills) should in principle be unchanged. Compared with the situation which would otherwise have occurred, there would be a narrower range of community charges, with lower bills in areas with disproportionately high education spending

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under present arrangements (notably in Inner London) but higher bills where education spending has been low and the loss of non-domestic rate income and grant outweighed the costs of education. Superimposed on the Green Paper changes, the overall effects (as compared with the present situation) would be to leave average local tax bills unchanged in Greater London (rather than the £57 a year increase expected from the Green paper changes), reductions in the South-East, East Anglia and the West Midlands (but smaller reductions than the Green Paper would have produced), and still larger increases in Northern England than those already in prospect from the Green Paper essentially because of the removal of subsidies to offset low domestic rateable values. But these results are, of course, sensitive to the precise transfer of functions involved, to decisions on any other transfers of responsibility away from local government, and to future movements in the relative costs and revenues.

21. Unless Ministers, having relieved local government of financial responsibility for education, were content to leave much of the operational control of it in the hands of LAs, education reform means a much reduced overall remit for local authorities. Existing pressure for the creation of unitary authorities in place of the present two tier system would increase. Indeed it is doubtful whether it would make sense to retain the present two-tier structure of local government - the shire counties would hardly be viable units without education, which accounts for well over half their total spending. However, while Ministers need to be aware of these implications in deciding how to carry further the study of education reform, no immediate decisions on this need to be taken.

[Redacted]

RTA

a. J. King
10/1/50

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Models of a per capita funding regime

1. This paper considers some of the implications of maximising the autonomy of each individual school in order to secure better standards of education, an improved ethos in schools, greater responsiveness to the schools' customers, and better value for money. The paper sets out two models by which this might be brought about. Both are based on the principle of per capita funding - the school's income goes with the pupils it attracts. It then considers how these functions which under these models cannot be allocated to the schools would be discharged and how far these residual functions could be allocated to the local authorities. (The paper does not examine the implications of either model for teachers' pay and duties or how either model would be combined with the determination of minimum standards and prescribed national syllabuses. These questions will be the subject of later papers.)

Fundamental features of a per capita funding system

2. The fundamental feature of a per capita funded system in which schools are responsive to parental demand is that their governing bodies should be able to determine and control the type, character and size of the school. To enable the governing body to do this, it would need in principle to be able to

- (a) have control of admissions, by reference to eg age, sex, ability, religion. This determines the main characteristics of the school.
- (b) control the curriculum offered and its delivery, (subject to any minimum standards or other constraints imposed by the Secretary of State.)
- (c) be able within their total budget to determine the staff complement, and to appoint and dismiss staff; the last two functions can hardly be exercised unless the governing body is also the employer.

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(d) receive sufficient per capita funding (supplemented by a limited discretion to charge fees - say up to £50 per term) to enable the school to provide the type of education which it purports to offer.

3. Control over admissions, curriculum and staff numbers entails the ability to adapt, extend or contract the school premises. This in turn means giving the governing body ownership of, or entrenched user rights over, the premises, with a power to make proposals for moving the premises or disposing of them wholly or in part.

4. At least the functions of hiring and firing staff and of undertaking capital work to the premises entail giving the governing body a corporate legal personality (which might involve trust or charitable status) enabling it, for example, to enter into contracts, and to sue and be sued.

Radical model

5. A system based on governing bodies with the features outlined in paras 2 - 4 could take a variety of forms. We discuss below a radical model which would give a great deal of autonomy to the governing bodies. A still more radical model (outlined at Appendix D) has been suggested by the DOE. Under this model each school's per capita grant would be determined by a formula which could not be adjusted for the circumstances of any particular school. If the school's circumstances required the grant to be topped up, the top-up would come from fees. Parents would meet the cost of transport to school. Social Security payments would meet the fees of poor parents and, if necessary, their transport costs. We have not had time to consider this "more radical" model.

6. The radical model we have considered assumes that Ministers would wish to incorporate in it certain features to cope with certain practical problems. On this assumption special arrangements would seem to be required on the following matters:-

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- (1) To maximise school competition for parental custom, each school's per capita grant should be determined, managed and accounted for independently, and should not be switchable between schools. Informally operating cartels between schools as regards catchment areas, numbers or types of pupils might be hard to prevent, particularly in less densely populated areas where particular schools could be in a position of monopoly or oligopoly. It would help in this respect if each governing body was responsible for only one school. Trusts might be allowed to be responsible for more than one school, whether these were in the same locality and thus competing or in different localities. But it ^{why?} would seem desirable to provide that each school should be run as a separate financial operation, although a trust responsible for several schools might be allowed to switch any private funds between schools.
- (2) As now, pupils with special needs would be educated in mainstream schools, where this was practicable, the per capita funding formula being adjusted to take account of the additional costs they imposed. Those pupils - perhaps 1.5% of all pupils - with severe or multiple physical or mental handicaps or behavioural disorders would need to be placed, as now, in special schools. In theory governing bodies, given sufficient financial inducement, should be capable of operating special schools on the basis of per capita funding. In practice this would involve very complicated and variable adjustments to the per capita grant which would greatly complicate the arrangements and create precedents for adjusting the grant to the needs of individual pupils which would repercuss on the mainstream schools and destabilise their per capita funding arrangements. It would be wise to exclude such schools from the model.
- (3) Given the requirement for compulsory education, those pupils for whom no school will offer a place would need

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to be found one at a suitable school. There would at times be no place at a school within reach for some pupils for a variety of reasons eg:

- (a) the pupils are not suitable for a special school but still sufficiently difficult to educate to be refused admission at the ordinary schools within reach.
 - (b) None of the schools within reach wishes to take more pupils - popular schools tend to keep numbers down as one means of preserving their popularity.
 - (c) There may be a temporary shortage of places in an area eg because of population inflow or the financial failure of a school. Something would need to be done until the shortage was remedied by a new school or the expansion of an existing one.
- (4) Some assistance with transport costs would be needed to enable children, particularly those living in remote areas, to reach the nearest suitable school (see Appendix C). Limited assistance on this basis would be less favourable to many parents than the present arrangements.

7. It might also be a feature of the radical model that the per capita grant in respect of each school would be determined (as in the DOE model at Appendix D) solely on the basis of a formula which sought to take account of variations between schools but which would not be adjusted in relation to any individual school. To operate with reasonable fairness as between schools serving different ages and different areas, the formula would need to allow for the major factors which unavoidably affect costs per pupil. Appendix A discusses this in detail. The key factors are:

- a. age of pupil
- b. social composition and handicap of the pupils (measured

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by some sort of proxy; direct measurement and weighting of each pupil would be unacceptable and impracticable).

- c. distribution of population, which affects schools' size and unit costs.

The GRE calculations for LEAs' funding allow for these factors at the level of the LEA. But the calculus would have to be refined considerably to produce acceptable results at the individual school level (with consequent administrative costs in data collection and analysis). But levels of funding now vary greatly between schools. Some transition time would be needed to allow schools to adjust. In addition it is likely to prove difficult to allow in the formula for some of the variations which are beyond the control of the governing body. To that extent the level of grant would be perceived as unfair by the governing bodies and parents concerned. Such situations could generate pressure for increasing the level of grants across the board (and so giving many governing bodies a bonus they did not deserve); in these situations it would also be relatively more difficult to obtain or retain suitable governors since governors, unlike company directors, would not have a financial stake in the enterprise and would not depend for their future employment on its survival. Those governing bodies who felt that they could not manage with the grant would tend to use their power to charge fees. It would be necessary to consider the implications for the maximum permitted fee level and for poor parents, especially where the choice of school was limited or non-existent.

8. Arrangements would need to be made to control the public expenditure involved, including contingent liabilities, on the lines indicated in paragraphs 13 and 23 of Appendix A. These arrangements would not remove the upward pressures on costs described in the Appendix, in the face of which they would need to be firmly administered. Such pressures would be increased if elements for capital were included in the per capita grants.

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9. Even on the radical model a number of functions fall to be carried out by an agency other than the governing body.

- (1) The determination of the total sum available for distribution between schools as per capita grant, including any element or separate grant for capital expenditure; the rules for its distribution; the application of the rules school by school; and the actual payment mechanism. All these functions ought to be exercised by the Secretary of State: that would oblige him to set up a modest regional organisation for the purpose.
- (2) The audit of the public money. The National Audit Office would audit the making of the grant and the efficiency and effectiveness of the Department's use of these funds. The expenditure of the grants by the governing bodies could be audited either by the Audit Commission or by private auditors.
- (3) Certain decisions on the appointment of the governing body, in particular where insufficient suitable governors were available. This important and complex issue is explored in Appendix B. It could prove necessary for some agency to appoint large numbers of governors. The discharge of this function could substantially affect the character and ethos of the system. If it were entrusted to local authorities, they would have a significant leverage on the system.
- (4) Insofar as governing bodies were not able to obtain specialist advice and service by purchase from the private sector, fall-back provision would need to be available. This might be provided by voluntary trusts.
- (5) Ensuring the attendance of those pupils who have a place (ie dealing with truancy and ensuring that parents comply with the duty to send their child to school.

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between the ages of 5 and 16). This function could not be left wholly to the school's governing body. It frequently involves the social services; governing bodies would be averse from undertaking the task of prosecuting offending parents; and the enforcement of school attendance could be effected by, and might in fact require, placing the child at another school. Finding a place for every pupil and ensuring that he attends where he is placed are closely related functions, and the same authority is now responsible for both.

- (6) The safety-net function of placing those pupils who could not find a place for themselves in the circumstances illustrated in para 6(3). This might be discharged in a number of ways eg obliging a governing body to admit pupils, taking over a failing school temporarily, or maintaining a lien on a quota of places at existing schools.
- (7) The provision of special schools as recommended in para 6(2).
- (8) Assistance with transport costs on the basis outlined in para 6(4).

Funding (5) to (8) could be given to local authorities without too great a risk that hostile authorities would carry them out badly or obstructively. They would be humdrum functions of a kind frequently found in local government. But for that reason local politicians are unlikely to be eager to discharge them. Supervision over the composition of governing bodies (function (3)) could readily be abused by hostile local authorities. The radical model does not appear to produce a package of residual local authority functions which are politically of great significance in relation to schools. The addition of adult education and youth and community services and even of non-advanced further education in the colleges would not basically alter the picture.

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A less radical model

10. Under the radical model parental choice would tend to be restricted, to the extent that schools exercised their discretion to charge and to the extent that parents had to bear the transport costs if they sent their child to a school further than the nearest suitable one. Other things being equal, the requirement of compulsory schooling tilts the scales against the customer and in favour of the provider, especially where geography favours the latter. To redress that balance the following additional measures might be considered:

- (9) In some or all areas transport might be free or subsidised for all pupils. This issue is explored in Appendix C. There are substantial cost implications. As a general principle, the lower the charge for transport, the greater the extension of parental choice and the weaker the case for special treatment for poor families.
- (10) To continue to give the individual parent a right of appeal against a governing body's refusal to admit his child to the school of his choice and to enforce the outcome of a successful appeal. As now, the appeal could be allowed only if the child satisfied whatever objective admission criteria (sex, ability, denomination etc) applied to the school.
- (11) To introduce some measure of "open enrolment" eg place a duty on governing bodies to admit (subject to any admission criteria) up to the physical capacity of the school, or up to a stipulated number of places eg by reference to the maximum number of pupils previously admitted.
- (12) To restrict the ability of a governing body to change the character, age range, size or type of a school without

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reference to the effect on the provision or on the choice available to parents in the area (and similarly to restrict the freedom of a promoter of a new school). At present changes in the pattern of school provision in an area are the subject of a public statutory process under which substantial changes require the Secretary of State's approval.

(13) To fix the level of the standard per capita grant so as to allow governing bodies to innovate and to cater for particular customer demands, eg a technological bias, which are relatively more expensive to provide.

(14) To permit arrangements such as LEAs now have discretion to make for supporting poor pupils in kind or cash in relation to eg school uniforms and staying on post-16.

These functions would all fall to be discharged by an agency other than the governing body.

11. The less radical model might also embody a refinement of the system of per capita funding outlined in para 7 under which the grant payable under the formula could be adjusted in relation to the circumstances of an individual school. With this refinement there would be scope for discretionary top-up grant, decided by a process of subjective judgment and negotiation with the governing body concerned. Such a refinement would reduce the dead-weight costs of the system outlined in para 7; nor would some governing bodies be obliged to charge fees in order to keep a school viable. But a discretionary top-up power would form the basis of much special pleading. Moreover it would be an important residual function, giving to whoever performed it substantial influence over the local pattern of schools, particularly if the grant related to capital expenditure. Exercising the power would also relate to matters - notably school transport, innovation and support for poor pupils - where pressures to spend more would inevitably be strong and the governing body's interest would be to compete for more, rather

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than to economise. These matters are considered in more detail in Appendix A.

12. Either model could in principle be combined with central action in relation to the curriculum and the educational standards of the schools. The minimum standards and any curriculum so prescribed would need to be reflected in the level of per capita grant. The greater the degree of central prescription, the greater the restrictions on parental choice. But provided the prescription applied uniformly, it would not distort competition between schools, although it might diminish it.

13. It is however clear that minimum standards and any other restraints on the governing bodies' control of the curriculum would have to be determined and enforced not by local authorities but by the Secretary of State, because these matters would be closely connected with the determination of the per capita grant and would in any case constitute a national feature of the system. It is also assumed that Ministers would not wish to give local authorities any part in whatever arrangements were made for the pay and conditions of teachers.

14. Although under the radical model a politically significant package of residual local authority functions hardly emerges, the picture could change under the less radical model. Except for the determination of the standard per capita grant to allow innovation - function (13) - which ought to go to the Secretary of State, all the extra functions which might feature in the less radical model (plus some of the functions which feature also in the radical model) could in theory go either to the local authorities or to the Secretary of State (to be exercised by him directly or through a quango or quangos). Taken together these functions constitute a large complex of political power and their exercise involves substantial public service manpower. The list of functions is as follows:

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Politically significant

- Securing adequate members of governing bodies.
- Discretionary adjustment of grant for individual schools.
- Subsidised transport for some or all pupils.
- Supervising changes in the local patterns of schools.

Politically less significant

- "Safety-net" function of securing a place for every pupil.
- Securing attendance at school.
- Enforcing open enrolment.
- Managing and enforcing appeals against non-admission.
- Special schools.
- Discretionary support for poor pupils.

15. As regards manpower, either per capita funding model would transfer to governing bodies the teachers employed at the schools plus more than 200,000 non-teaching staff (full-time equivalent); the latter figure could be reduced through privatisation. Under the less radical model something of the order of 50-75,000 non-teaching staff now employed by LEAs would remain with local authorities if these were given the functions listed in para 14, or would be employed by the Secretary of State (or a quango responsible to him) if the functions were given to him.

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The choice

16. If these functions were given to local authorities, their political significance would depend on whether they could be exercised in a highly discretionary way. If they could be so exercised, local authorities would have great powers vis-a-vis individual governing bodies, and considerable scope to thwart the objectives of the per capita funding system.

17. There are serious difficulties about giving the functions to local authorities on the basis that the authorities would act merely as the agents of the Secretary of State, without the freedom to make politically significant decisions. Authorities would be reluctant to accept such an arrangement, yet those who wished to obstruct or stullify them would be well placed to do so. If they did so act, the Secretary of State's only practical remedy would be to exercise the functions himself (or through a quango).

18. The effective choice for Ministers therefore seems to lie between giving the functions to local authorities to be exercised in a politically significant manner, or to give them to the Secretary of State (or to a quango responsible to him). The latter alternative would constitute a substantial measure of centralisation, though it would be accompanied by the decentralisation from LEAs to governing bodies which is inherent in the per capita funding system.

19. If Ministers decided not to give the functions to local authorities, it would be necessary to decide whether they should be discharged by the Secretary of State directly through an enlargement of the regional organisation which he would in any case require for the administration of the per capita grant, and which would also take on the enforcement of minimum standards. Given the need for such an organisation, the alternative of creating a separate quango or quangos responsible to the Secretary of State would make for administrative duplication. However,

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if the Secretary of State himself carried out a function he would become directly responsible for decisions taken on his behalf to a greater extent than if he entrusted the function to a quango which he appointed.

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APPENDIX A

Per Capita Funding

1. In its simplest form a per capita funding system might be based on paying each school a standard credit for each pupil of compulsory school age relating notional recurrent costs to the age of the pupil. Currently the GRE formula distinguishes between 3 age groups: 5-10, 10-15 and 16+. It would be possible to adopt a more differentiated formula to give recognition, for example, to the higher costs of examination groups in the last 2 years of compulsory schooling. But in general this aspect of a per capita formula is straightforward and widely recognised in the education system. Some 95% of the education GRE is distributed by reference to pupil numbers between local authorities; the rest by reference to a measurer of sparsity and social need.

Variations in Costs

2. However, per capita funding based on the GRE level of generality is likely to be too crude an instrument for determining the financial requirements of individual schools. The principle of a standard pupil credit can work within the context of a block grant system because grant is distributed at the level of the LEA and it is left to the LEA to achieve any necessary differentiation between individual schools according to their knowledge of local needs and circumstances. There are at present wide variations in the costs of schools in different parts of the country. The average primary school unit cost in 1984-85 varied from £645 in Kent to £1,255 in ILEA. This compares with unit GRE allowances of £752 per primary pupil in Kent and £889 in ILEA. For secondary schools the range was from £935 (Kent) to £1,940 in ILEA; equivalent unit GREs were £1,028 (Kent) and £1,349 (ILEA). Thus costs were twice as high in ILEA as in Kent but according to the GRE assessment less than half of this excess is justified by ILEA's special needs and higher London salary costs.

3. We do not collect data on the costs of individual schools but it is likely that the variation is even more marked at the

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school level. We know for example that over 80% Of the costs of a school, whether primary or secondary, are attributable to salaries. In Lincolnshire, for example, the variations in PTRs in individual primary schools are from under 7 to more than 32 around a county average PTR of 24. Assuming all other costs are equal, this produces a per capita variation of between £600 and £2,000.

4. Much of this variation can be directly attributed to the particular policies of the LEA in relation to staffing levels, curriculum needs and levels of provision for equipment and books. In the absence of the LEA, the Government would need to substitute its own views on:

- (i) a minimum desirable curriculum for pupils of different ages;
- (ii) appropriate minimum staffing levels both for teaching and non-teaching staff associated with the delivery of the minimum curriculum; and
- (iii) appropriate levels of equipment and books, particularly for secondary schools

in order to decide the level of per capita funding it was willing to make available. It would then be for the individual school to decide the balance within the sums available to it.

5. In practice the Government will need to take a view about what is required by the "standard" school (in the sense of a school with no particular problems). But some schools would be far from the standard. While it is obviously desirable to keep the funding formula simple and transparent, it seems unavoidable that the standard level of funding would need to be supplemented to allow for factors peculiar to the individual school. Two problems stand out: those associated with the size of a school and those associated with the characteristics of its pupils. Allowance might also need

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to be made for differences in the age, size and state of repair of school buildings, since this can affect running costs (heating, lighting, etc). If the total cost of the system is to be held to the existing cost at the moment when the new arrangements are introduced, the standard per capita payments would need to be set sufficiently below existing average unit costs to leave room for higher payments in respect of these special factors.

School Size

6. Small schools are more expensive to staff than large schools if a minimum offering is to be provided. Schools may be small because of population sparsity, or because of local choice or a failure to reorganize to reflect falling rolls. It would be for consideration how far the formula should reflect school size, since small schools constrained to the same per capita funding as large schools would be bound to face difficulties in meeting minimum standards. At a minimum, it would be necessary to provide higher per capita payments for schools in sparsely populated areas (as measured by census data).

7. But schools may legitimately be small for reasons other than population sparsity. New schools will start small and take time to grow. It would be important to facilitate the entry of a new school if all the existing schools in a locality were failing. Schools which are fundamentally sound may go through periods of unpopularity when they have difficulty maintaining adequate rolls for example if there is a localised, temporary decline in population. Although a school may be too small to be viable, it may be impossible to close it because there are insufficient places in other schools in the area for the pupils displaced by the closure. Even if the closure of a school is justified, it is likely to take some time for market pressures to exert themselves. In the meantime many pupils will pass through the school. Without some allowance in the funding system for diseconomies of scale the problems of schools in transition will be exacerbated by inadequate funding and the education of the pupils in attendance may suffer.

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9. If it were thought desirable to allow for school size more generally, there are a number of possible approaches, for example:

- (i) the amount per pupil could be reduced as the number of pupils in a school increased either on a sliding scale or with thresholds based, for example, on additional classes of 30. But such a formula would act as a disincentive to expansion and could provide too much of a cushion for small (or shrinking) schools;
- (ii) Alternatively, there could be a minimum grant payable per school to cover costs which are not variable with pupil numbers - for example, the cost of a headteacher, to which would be added the appropriate per capita payments. Such a model would be simpler and would provide more of an incentive for popular schools to expand.

Neither approach, however, ^{removes?} secures the need for some agency acting to supervise the market by sanctioning the creation of new schools, and securing closure of schools which can no longer manage with the normal per capita grant.

Pupil characteristics

10. Some pupils cost more than others to educate, age for age. Schools may need to be offered a premium payment to accept the more difficult pupils, particularly those in need of expensive remedial provision or those with handicaps whose parents wish them to be taught in ordinary schools. At present the GRE formula assumes that handicapped pupils cost 4.5 times and remedial-type pupils 1.6 times as much as other pupils to educate. But that formula differentiates only between the average characteristics of LEAs for the most part using census data. In order to take account of such factors at the level of the individual school, one approach would involve collecting data about individual pupils and their family circumstances. That would inevitably be a substantial and

difficult exercise posing problems of confidentiality, comparability and sheer handling. The simplest alternative would be for characteristics associated with social deprivation to be collected by reference to census data at ward or enumeration district level and school location. This would ensure some additional support by reference to the social characteristics of the area in which each school was situated. But it would be only a rough guide and by analogy to the GRE formula, premium payments would be large, and the appropriateness or inappropriateness of the formula to a particular school might be decisive for the financial viability of the school. Schools which were located in poor areas but catered exclusively or largely for pupils from other, more affluent, areas would still attract the premium. There would be no incentive for schools to admit an individual 'problem' pupil. A possible middle course would be to use pupils' addresses to derive census indicators based on the areas from which pupils come rather than school location.

Under Fives

11. A rather different problem is the treatment in a per capita system of pupils below compulsory school age. At present LEAs have discretion as to the provision that they make for under-fives which can take the form of nursery schools, nursery classes in ordinary primary schools, or the admission of under fives to ordinary primary reception classes. 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. The different forms have different costs, nursery schools being the most expensive, because of the diseconomies of scale in small schools. In both nursery schools and nursery classes priority is given in allocating places (which do not meet demand) to referrals on social welfare grounds. One solution would be to charge for all under-five provision. But this would be criticised as discrimination against the poor and socially deprived. Moreover much under-five provision is an integral part of primary school provision. Pupils in the same class would be paying or not according

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to their age. An alternative would be some form of rationing system administered through the residual body in order to contain costs nationally. Under such an alternative schools might receive per capita payments for pupils below compulsory school age as though they were 5 year olds (although this would underestimate the cost of nursery provision).

Data

12. Any mechanisms imported into a per capita funding arrangement to cater for intrinsic differences between schools substantially complicate the data requirements. It will be difficult to combine an acceptable degree of fairness with a simple and easily comprehensible approach. Data would be required:

- (i) on costs to allow the basic unit costs and the appropriate weightings for pupils of different ages, for school size, and pupil characteristics to be fixed on a consistent basis from year to year; and
- (ii) on the characteristics of individual pupils in each school, full details or at a minimum addresses and census type data on the area in which the school is situated.

Control of expenditure

13. Arrangements would need to be made to control the total expenditure and enable it to be planned and monitored effectively, in the face of the inevitable strong upward pressures from various interested groups. Expenditure on standard per capita payments for primary and secondary pupils within the compulsory age range would be a product of the size of the relevant population and decisions on the amount of such standard payments, but expenditure on pupils above and below that age range would also be affected by take up. The control mechanism would also need to embrace any amounts to be paid in recognition of exceptional circumstances such as sparsity of population, social conditions, or handicapped

pupils. The aim should be to control the total expenditure within a national cash limit, on the analogy of the hospital and community health services. This might be assisted if any exceptional payments of the kind mentioned above were met from a global fund, rather similar in conception to the Social Fund envisaged under the social security reforms, which would itself be cash-limited and from which all such exceptional payments would need to be found.

Transition

14. Moving directly to a per capita funding system using national criteria with a rationale based on national minimum standards would involve substantial gains and losses for individual schools because of the substantial variations in costs associated with LEA policies. Where Kent schools would gain, ILEA schools would lose. It would be necessary to consider phasing in per capita funding over a number of years to reduce disruption. This might be done by establishing at the outset the level of funding of each school under the old system. This figure would then be increased or decreased by a set percentage each year until the level of funding payable under the formula was reached. Thereafter funding would be based on the formula. The need to establish the base level funding for each school would add to the data requirements. There would obviously be pressure to bring those schools below the formula level up to that level quicker than those above were brought down. It would be necessary to resist this and the Government would need to manage the process so that the transitional arrangements were cost-neutral, though this would not be easy. Superimposed on this phased transitional convergence there would be the need to cope with new schools which started small and with existing schools which varied in size or in their pupil composition.

Treatment of Capital Expenditure

15. The present system is that capital expenditure is directly controlled and allocated between existing schools and for new building by LEAs. This system could be continued, with the residual education body taking over the allocation within a total controlled by the Secretary of State. It would add a further key discretionary function to those falling to the residual body. The arrangements would sit reasonably well alongside the system which currently applies to the voluntary aided sector whereby the 4500 voluntary aided schools own their own premises and receive 85% Exchequer grant on the cost of external repairs and maintenance work and on the cost of new building, the balance of the cost falling to each school.

16. An alternative approach would be to make per capita funding completely comprehensive so that the formula included an element for annualised accommodation costs, covering both existing property occupied by schools and new capital investment. Such an approach would serve the objective of:

- fostering efficient use of resources: governing bodies are made responsible for the full range of their costs and have an incentive to keep down accommodation costs and use their facilities to the full;
- giving maximum delegation to school governing bodies and encouraging optimal choice of the balance between resources spent on accommodation and other inputs such as teaching staff;
- relating effectiveness and popularity of schools to resources for development and expansion in a direct and visible way.
- securing equity as between schools with good and bad accommodation.

17. Two variants of this approach are possible. In a pure market model, governing bodies would own the freehold of

their premises and would be responsible for all capital expenditure. They would be free to borrow to finance new capital investment. A disadvantage of this model is that there would be a substantial deadweight cost because of the lumpiness of capital expenditure. Each school would, for example, need to maintain its own sinking fund to cover large items of repairs expenditure. It would also be necessary for the per capita formula to reflect the large variations between areas in property costs. Moreover, it seems inconceivable that the Government could simply hand over to private use without restriction public assets currently valued at £30bn, the produce of public investment, when in practice the Government and the taxpayer would continue to underwrite any shortfall in the use of those assets and the borrowing for new investment.

18. A second variant which could avoid some of these problems is a model in which the freehold of schools would be vested in a property-holding body, or property "Trust", which would charge a rent to each school. The school would meet the rent from its per capita grant. The rent might be based on market valuations, but this would lead to instability and it would be necessary to allow in the per capita grant for regional and local variations in land values which are beyond the school's control. A preferable alternative would be to base rents and the capital element of the per capita grant on average land values, but to fully reflect differences in space occupied and quality of accommodation. This would be fair as between schools with good and bad accommodation and provide an incentive for efficient use of space. Schools might be offered different forms of lease with more or less responsibility for repairs and upkeep, again reflected in the rent.

19. Under this model the Trust would be responsible for the upkeep of existing schools (subject to any delegation to the school under the chosen form of lease), for building new schools or expansion of existing premises, and for the disposal of surplus property. The decision to build would be based on a judgment of school's ability to meet rental

cost out of grant income. Governing bodies which wanted to establish a new school, or to expand an existing school, would approach the body with a proposal. The costs of building would be recouped over time from the higher rental on existing premises and rent from new schools.

20. The responsibility of residual bodies for the overall provision of adequate schooling would mean that they would have to be free to initiate capital investment in new schools (and the disposal of school property) independently of governing bodies (which might not exist, or might have proved inadequate), particularly in areas of expanding school population. This responsibility would need to be allowed for alongside the necessary scope for successful schools to expand, and for new governing bodies "to apply for recognition", each without prejudice to the others but all within a controlled total of available funds. One possibility would be to handle the property trust function as part of the residual education body, through a self-contained "property account" which would operate under standardised rules so as to maintain the discipline of schools being charged fully and consistently.

21. This model seems best calculated to secure the objectives set out above. It is the crucial feature of this model that (apart from differences in land values) the basis of rent for each school reflects the value of property used by that school; the total of all rents recovered equals the total capital element of all capitation grants; the distribution to each school of its share of the total capital element of capitation grants follows strictly from its number of pupils; and the basis for all these calculations is simple and transparent. Otherwise, the model can rapidly degenerate into a bureaucratic maze. The per capita payments could be made on a standard basis, without the need to allow for large variations in land values and the lumpiness of capital expenditure. Within their total income from per capita payments (current and capital), governing bodies would be free to make choices over the amount and quality of accommodation occupied. Better than average accommodation would mean less money was available from within the per capita grant for current costs such as teachers; savings on accommodation

costs could be used to finance extra spending on such items. However it would mean:

- i. a separate Trust would be responsible for very sizeable assets (the current school building stock is valued at some £30bn);
- ii. there would be large flows of money to schools in per capita grant, which would then be passed on (on average) to the Trust in rent. At 1986/7 prices the capital element of the per capita payment would need to be about £250 for primary and £350 for secondary pupils (compared current unit costs of some £850 and £1200 respectively). The Trust might receive some £2bn pa in rent;
- iii. from this rent the body would meet repairs and maintenance costs and the costs of financing new capital expenditure (less the proceeds of any assets disposed of). It would have a large surplus which would need to be returned to the Exchequer as the product of the management of public assets provided to it free from taxpayers' and ratepayers' funds;
- iv. the use of national average land values would mean that schools and the residual body would be tied to the Trust for the funding of all extensions or new schools.
- v. the system would need to be adapted in the case of voluntary schools where a voluntary body owns the premises.

22. Apart from owning substantial public assets, the Trust would be able to take important decisions on the provision of premises for new schools or enlargement or disposal of old ones. If the body were distinct from the residual education body means would need to be found for reconciling conflicting views - in particular where the residual body considers that

a new school is needed but the property holding body does not consider it justified on its investment criteria. There would be large, and for the most part circular, flows of money between the Exchequer, schools, and the body. Strict regulatory powers would be needed to ensure that the Trust acted according to predetermined guidelines and with due regard for efficiency and economy in its functions. As with capitation grant generally, applying standard calculations to what at present is covered by a very wide spread of practice and expectations would give rise to heavy pressures to set levels of grant so as to level up between schools throughout the country. The regime is based on full recovery of capital investment for a given year from all schools regardless of whether they are engaged in new building. This could give rise to misconceived, though awkward, complaints of inequity and excessive bureaucracy. If these arguments were conceded some deadweight would appear in the system.

23. The operation of a Trust of this sort could give no market signal of the amount of capital expenditure on schools which was desirable or affordable, because there would be no identifiable return on the investment; the cost would ultimately be met by the Government through the capitation grants. The extent of school building would therefore depend on judgments which only the central Government would ultimately be able to reach about the amount of capital investment and the amount of capitation grant which it was prepared to put into the system as a whole.

24. If Ministers wished, further work would need to be done on this model to work up a control system which, prima facie, would need to provide the Government with a sure control of borrowing by or on behalf of the system as a whole (since it would be practice be on Government credit) and a sure control on the total demand for resources, but which, within that total would preferably allow schools to use the current element of their capitation grant for capital improvement if they wished, but would not allow them to use the capital

element for current consumption. Further work would also need to consider the most appropriate arrangements to control the affairs of the Trust in its management of so large a public asset, and to examine the public expenditure classification of the various sums involved in such a model (and the implications of that).

25. It is for consideration how far the policy and potential efficiency gains from this model would outweigh the increased costs in bureaucracy, loss of control over capital expenditure and risks of corruption or abuse inherent in large circular flows of money. Much of the objective of putting decision making into the hands of the governing-body might be achieved by making the Trust an arm of the residual education body. But many of the problems above would still apply.

Governing Bodies

1. The governing body would have overall responsibility for the school. It would determine its character and type, employ the staff, maintain the premises etc. While the detailed administration of the school would fall to the head and other members of the staff, the governing body would have far more responsibility for policy, finance, and day to day decisions than governing bodies will have even after the Education Act 1986 is fully implemented. Many of its functions will be ones currently exercised by the LEA. It would have a fiduciary duty for the management of public money in trust.

2. It follows that governors would need to be people of some ability, with a capacity to formulate and sustain policies of their own. They would be accountable jointly to their paymaster. Depending on how they were appointed, they could also be to some extent accountable to their constituencies. They would, as now, serve on a voluntary, unpaid, part-time basis. But the volume of work which would fall to them would be far greater than now.

3. There would probably, as now, need to be some restriction on the number of governing bodies on which any individual could serve, in the interest of the diffusion of responsibility and the autonomy of individual schools.

4. It is assumed that the governing bodies of the 4,500 or so aided schools in England would be broadly composed as at present. They would contain a majority of "foundation governors" ie governors appointed by the voluntary body which originally set up and owns the school, plus a minimum number of governors elected by parents of pupils at the school and by the teachers at the school. It would be for consideration whether the LEA would continue to be able to appoint a proportion of the governors, or whether there should be alternative

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arrangements eg for the cooption of governors from the local business community or governors appointed by whatever agency would supervise the arrangements for securing effective governing bodies under the per-capita funding regime.

5. For the remaining 20,000 maintained schools in England, the governing bodies will, under the Education Act 1986, be composed, broadly speaking, of equal numbers of governors appointed by the LEA and governors elected by the parents, some governors elected by the teachers, the head if he wishes to be a governor, and a number of coopted governors including members of the local business community and some foundation governors in the case of the 3,500 or so controlled schools. For controlled schools, some of the governors could continue to come from the foundation under the per capita funding regime. Subject to that, it would be necessary to devise new rules for the composition of the governing bodies of some 20,000 county and controlled schools. The main possible sources of supply would appear to be:

- (1) parents;
- (2) staff employed at the school;
- (3) persons appointed by the relevant local authority or authorities;
- (4) persons appointed by the supervising agency;
- (5) persons coopted by governors drawn from categories (1) - (4) above.

6. The arrangements for the composition of governing bodies would need to reflect the fact that these would have a permanent legal existence. Parents would tend to have a shorter time horizon than the other constituents and this suggests that they should not form the majority on the governing body.

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7. Finding suitable persons for such a large number of schools would not be easy. The problem would be reduced to the extent that governing bodies could be kept small. Under the 1986 Act their size will vary from 9 to 19 (except for aided schools). The kernel of the problem is the number of persons needed to fill those places on governing bodies which cannot be filled by parent-governors, teacher-governors, or coopted governors. If that number is as low as 100,000 (an average of 5 per school other than aided schools) it will be some 4 times as large as the number of JPs in England (27,000). It is unclear how many existing governors would be suitable or willing to serve on the new governing bodies that would have to be set up.

8. It would be necessary to consider possible local variations in the actual pattern of appointments. In some areas few governors might be found in the locality served by the school. It would be necessary to consider how seriously this would conflict with the principle of maximum autonomy for each school.

9. One possibility for reducing the requirement for governors would be to allow a single governing body to be responsible for a possibly substantial number of schools, subject to the financial restrictions outlined in para 5 (1) of the paper. Such an arrangement would not however permit an effective representation of parents (or staff) on the governing body if it were to remain small enough to be effective.

10. No-one could be compelled to serve or stay on a governing body. The motivation of governors would be essentially altruistic. Unlike company directors, they could not have a financial stake in the school or depend for their future employment on its survival. If a school began to get into difficulties for whatever reason it might be difficult to prevent governors from resigning.

APPENDIX CHome-to-school transport

1. The geographical distribution of the population makes it necessary for some children to travel long distances to school. At present if a child lives more than 3 miles (2 miles if it is under 8) - the so-called "walking distance" - from the school which the LEA considers the most suitable, the LEA must arrange free transport. If a route within the walking distance is unsafe LEAs are also under a duty to consider the provision of free transport. About 10% of the school age population is estimated to travel free of charge, 20% in the case of secondary school pupils. In some cases pupils travel with free passes on stage carriage services; but in many cases LEAs hire special contract buses and taxis. LEA expenditure on home to school transport is about £200m (in some shire counties more than expenditure on books and equipment).

2. LEAs tend to regard the nearest school for the age group where places are available as the most suitable one. They are sometimes prepared to make exceptions on account of special factors eg if the parents wish their child to attend a denominational school further away than the school which would otherwise be the most suitable. But this is typically subject to an upper limit of (say) 10 miles or 1 hour journey time. There is a constant flow of complaints to Ministers, the local authority Ombudsman and the courts as regards the operation of the 2 and 3 miles limit, the upper limits, the situation if parents move or if a school closes, and the safety of certain routes within the 2 and 3 miles limit.

3. In 1980 the Government proposed, as part of the package of measures in the Education Act 1980 which were designed to increase parental choice of school, that LEAs should have a discretionary power to charge a flat rate fare for any arrangements they made, for the provision of transport to school, with relief for families on SB or FIS living beyond the 2-3 mile limit. The object was partly to help LEAs save on transport costs but also to remove the

distortion in the system under which parents had to bear the cost if they opted for a school other than one to which the LEA was prepared to provide free transport. This would however have imposed a new burden of cost on those living in remoter areas and those who sent their children to denominational schools and would have fallen more heavily on those with larger families. The proposal was heavily defeated in the House of Lords by a combination of rural and church interests.

4. Under per capita funding it would no longer be the case that a school was deemed "suitable" by the LEA. Under the radical option set out in the main paper it would be possible to provide that free or subsidised transport was available only to the nearest school of the appropriate age range if that was over the 2-3 miles limit. That would be less generous than at present and would be seen as operating against church, single sex and selective schools. But if parental choice were allowed to operate freely as to type of school, free transport would have to be made available to a wider range of children than now, at an additional cost. It would be for consideration whether there should be an upper limit to the distance that could be travelled free to a school other than the nearest. Pupils would otherwise be able to travel for very long distances free of charge in satisfaction of parental choice.

5. The alternative would be to revive the 1980 proposal of a flat rate charge for all pupils travelling further than 2-3 miles. The lower the charge, the greater the support for parental choice, the greater the cost to public funds, and the less the need to remit it for poor families .

6. It should be noted that whatever use was made of subsidised transport to facilitate parental choice, there would still be some pupils for whom the nearest school would be a long way from home. The case for free transport for such pupils is very strong.

7. The arrangements for free or subsidised transport could not realistically be left to the governing body of each school. Question

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of entitlement and arrangements for contract buses or taxis, for example, would be necessarily better dealt with by a separate agency. This would also avoid the complication of adjusting the per capita grant to take account of the transport costs attaching to individual pupils.

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Outline of a "More Radical" Model, Prepared by Department of the Environment

1. Funding would operate on the basis of Per Capita Grant, with no provision for additional Exchequer support to schools. Governors would have discretion to meet higher costs (including higher unit costs of small schools, and schools with falling rolls) by charging top-up fees to parents.
2. Support towards cost of fees, for poor parents, would be met through Social Security mechanisms.
3. To expand or set up new schools, governors would borrow on the strength of prospective pupil income.
4. In terms of the functions as listed in the paper as not capable of being discharged by governing bodies, the model could operate along these lines:

paper, para 6(2) Provision of Special Schools

For consideration. Could in principle be provided within a per capita regime by setting the grant allowance at an appropriate level; or left with LAs.

6(3) Ensuring School Place for All Pupils

An 'Open Enrolment' duty applied to schools, plus right of appeal against non-admission, should help to secure this.

6(4) Assistance with Transport

Parents would meet full costs of childrens' travel. Support for poor parents, if necessary, would be provided through Social Security mechanisms.

9(1) Setting of Per Capita Grant Rates

Central government responsibility.

9(2) Audit of Schools

Carried out through Audit Commission.

9(3) Appointment of Governors

Central government will set rules: possible role for Residual Body in the appointment process where for example sufficient governors do not initially come forward.

9(4) Provision of Specialist Services for Schools

Provided mainly by private sector, (or possibly by voluntary trusts, on a repayment basis).

9(5) Enforcing Attendance

Duty might be carried out by local authority Social Services Departments.

9(6) Last Resort placing of Pupils

Residual body function: schools will have the duty of open enrolment, which will help.

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- 9(7) Special Schools)
9(8) Transport)
10(9) Transport)
10(10) Appeals Against Non-Admission to Individual Schools Handling of appeals for consideration; might be by either Residual Body or possibly HMI.
10(11) Open Enrolment Schools will be subject to an Open Enrolment duty: Residual Body will enforce duty.
10(12) Oversight of local pattern of schools No intervention. Governing Bodies will have discretion to determine size, age range, type and character of schools, subject to meeting Central Government curriculum and minimum standards, and to HMI inspection.
10(13) Higher Grant for Offering Technological Subjects This could be built into the per capita grant formulae as necessary, or through fees.
10(14) Support for Poor Pupils A function for the Social Security system.
11 Discretionary "top-up" Grant No provision for any grant over and above the per capita-determined amount.

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11 December 1986

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REMOVING SCHOOLS AND FURTHER EDUCATION FROM THE RESPONSIBILITY OF LOCAL AUTHORITIESConsequences for Local Governments Structures and Organization

1. The education authorities in England consist of 39 county councils, 36 metropolitan district councils, 21 outer London boroughs, the ILEA, and the council of the Isles of Scilly. The annex shows the distribution between authorities of the main local authority services other than education.
2. Apart from ILEA, spending on education by individual authorities represents between a half and two-thirds of their total spending and a similar proportion of their total staff. Nevertheless, because of their size and the extent of their other functions, the outer London and metropolitan district councils would remain financially and organisationally viable without schools and further education. They would, for example, remain larger in terms of staff numbers and expenditure than most district councils.
3. In non-metropolitan areas, however, the loss of education would re-emphasise the case for single-tier authorities. Ever since the 1974 reorganisation, authorities such as Bristol, Nottingham and Leicester have been protesting against the loss of their county-borough status, under which they were responsible for all functions. Pressure from these and other district councils to become once again all-purpose authorities has already been strengthened by the abolition of the upper tier in London and the metropolitan areas. Both the Association of District Councils (under Conservative control) and the Labour Party are now arguing for the removal of county councils and the establishment of single-tier all-purpose districts.
4. There are other operational considerations. On average shire counties have about 80 councillors and London boroughs and metropolitan districts between 65 and 70. The largest have far more, eg Birmingham has 117 councillors. With the major education responsibility transferred elsewhere, there would be much less work for these councillors. There would therefore be a strong case for reducing councillor numbers. (The Widdicombe Committee proposed that councillor numbers should be reviewed in any case, since numbers in Scotland are approximately half those in England and Wales.) It is possible that without the attraction of the education responsibility the quality of councillor recruits would fall.

5. There are further secondary consequences for staffing. In the short term, a date for the change would have to be announced several years in advance. In this interim period there is likely to be a loss of the brighter, younger local authority staff, both in the education service and in the other departments affected, such as treasurers' and architects'. The scale of this loss will depend upon the extent to which the local education authorities are to retain some responsibility.

6. In the longer term, the most immediate effect would be on the directors of education and their departments. But other senior officers such as the Chief Executive and Treasurer and their departments would have reduced responsibilities. Lesser responsibilities would not justify present salary levels. Lower salary levels at the top will affect the structure of local government service and its attraction for good quality recruits. There will also be a period when existing officers are being paid higher salaries than the jobs would strictly justify unless redundancies are declared and new appointments made; in that case such redundancies would themselves affect local government service morale and recruitment. Again, the scale of these secondary effects will depend upon the extent to which local education authorities retain any responsibility.

7. In summary, there are already pressures for further structural reorganisation of local government. The removal of significant education responsibilities from local government would increase these pressures. Such a reorganisation might involve introducing single-tier authorities, and in some areas at least a major re-drawing of district boundaries. The nature and timing of any such reorganisation need not coincide with the reform of education, since the counties could carry on for a period performing their residual functions. But it might be desirable to map out in advance the way ahead for the structure of local government, and thus to limit the period of transition and uncertainty.

outside/
London

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
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<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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REFORM OF EDUCATION: IMPLICATIONS FOR LOCAL GOVERNMENT AND STRUCTURE

Memorandum by the Department of the Environment

Summary

References

(a) Effect on Local Government Finance

- Under the Green Paper proposals local government income and expenditure looks like this (1986-87 budget figures):

Para 1

	Ebn	
Total charge and grant borne spending	26.8	of which £11.8bn
<u>less</u> Specific grants	2.8	relates to the
		education functions
		proposed for reform*
	<hr/>	
Total Expenditure	24.0	
<u>less</u> Needs grant	5.4)	
Standard Grant	3.6)	
	<hr/>	
	15.0	

Financed by National Non-

Domestic rate 7.8

Community Charge 7.2

- The main options for rebalancing local and central finances or expenditure to reflect the £11.8bn transfer of education costs to the centre are:

Para 3

a) Transfer other expenditure responsibilities from central to local government.

b) Accept the new balance, increase central taxation and reduce local taxes.

c) Withdraw Exchequer grant to local government.

d) Transfer National non-domestic rate (NDR) revenue to central government. ✓

e) A combination of these options.

* i.e. excluding Special Schools, Adult Education, the Youth Service.

The scope for transferring expenditure to local government is limited; reduction in the community charge would tend to undermine the objective of local accountability because many authorities would need no or very low community charges. Consequently some at least of the NNDR revenue needs to be transferred away from local government. Complete transfer would be the cleanest approach. The £11.8 billion of education expenditure might thus be financed by:

Para 11

- Transfer of NNDR to central government	£7.8bn	Para 10
- Withdrawal of that portion of Needs Grant relating to the transferred education functions.	£1.5bn	
- Reduction of Standard Grant from £3.6bn to £1.1bn	£2.5bn	
Total	£11.8bn	

- This approach (on 1986/87 figures) allows partial retention of Standard Grant, which is the main source of grant support (other than specific grant) to low-need authorities such as Surrey, Herts.

Paras 8
9(ii)

Implications

- The national average community charge would remain at £205. Para 13
- However the range between lowest and highest charges is narrowed from £100-770 to £130-590. This could make possible faster phasing-in of the new finance system. (The range narrows because community charges are no longer affected by individual authorities' choice of spending on education - hence community charges become higher in previously low-spending authorities' areas (eg Kent, Lincolnshire), and drop in high spending areas (eg ILEA, Manchester). Paras 13,
18
- Within this picture, average community charge bills (compared with rate bills): Para 14
 - Remain more or less level in Greater London (compared with a £57 a year increase from the Green Paper changes alone)
 - Are lower in the South, and West Midlands.
 - Are higher in the North.
- In terms of authorities' average local tax bills per adult, adding reform of education on top of the Green Paper changes means that: Paras 15-
17;
Table 1

- Nationally, numbers of gaining and losing authorities become more or less equal, compared with 65:35 under the Green Paper changes alone.
- Regionally, the number of losing authorities increases in East Anglia, the South East, South West and Midlands, but drops in Greater London, Northern and North West Region.
- In terms of individuals' (tax units) local tax bills
 - Nationally, the losers increase from 48% to 51% when reform of education is added in. But the number losing more than £5 per week drops from 0.9m to 0.6m.
 - The big regional variation in the balance between gainers and losers from the Green Paper proposals alone are narrowed somewhat: numbers of losers increase in the South and Midlands, and drop in Greater London and the North.

Paras 19,
20;
Table 2

(b) Local Government Structure

- Transfer of education would add to the pressure already building up for structure overhaul Paras 2,
3
- Loss of education responsibilities would also reinforce the argument for reducing councillor numbers. Para 4
- In the period before transfer, LEA administration might be weakened by staff losses. Para 5
- In the long term, the quality of councillors and Chief Officer attracted by reduced local authority responsibilities and salaries may be affected. Para 6
- The nature and timing of any wider reorganisation need not coincide with the reform of education, but it might be desirable to map out the way ahead, and thus to limit the period of transition and uncertainty. Para 7

DOE/LGFS
5 December 1986

Dic128mt

IMPLICATIONS FOR LOCAL GOVERNMENT FINANCE AND GREEN PAPER PROPOSALS
"PAYING FOR LOCAL GOVERNMENT"

Note by Department of the Environment

1. Planned 1986/87 local authority (England) rate and grant borne expenditure of £26.8bn would have been financed under the new local finance system set out in the Green Paper as follows*:

	£bn
Total Charge and grant borne spending	26.8
<u>less</u> specific grants of	<u>2.8</u>
Total Expenditure	24.0
<u>less</u> Needs Grant	5.4
<u>less</u> Standard Grant	3.6
	<u>9.0</u>
	15.0
<u>less</u> National Non-domestic rate	<u>7.8</u>
To be financed by Community Charge	7.2

2. Within the £26.8bn total, education accounts for about £12.7bn, of which about £0.9bn relates to functions which DES do not envisage for transfer (Special Schools, Adult Education, the Youth Service). That leaves about £11.8bn. This figure includes estimated debt charges: it is assumed that responsibility for these would be transferred from local authorities as part of the reform. The calculations in the paper also assume that any income from parents' fee contributions are in practice more likely to go to meeting the pressures for increased expenditure on education, rather than reducing the £11.8bn base level of public expenditure picked up by central government.

* The 1986/87 figures can only be illustrative. The precise balance of funding will vary from year to year, and may well be different by 1990, if they were to be the operative date for reform.

3 ● If all this expenditure were to be taken to the centre, there would have to be some readjustment of local authorities finances, or transfer of local revenue to the centre to reflect the £11.8bn drop in expenditure. The options are:

(a) to offset the transferred expenditure by passing from central to local government some new expenditure responsibilities: housing benefit and community charge rebates were mentioned at the previous meeting; or

(b) to accept the new balance and make no offsetting transfers of expenditure from the centre, or local resources to the centre. This would require increases in central taxation and reductions in local taxes; or

(c) withdrawal of Exchequer grant to local authorities; or

(d) transfer of National Non Domestic Rate (NNDR) revenue to central government; or

(e) a combination of these options.

4. Taking these in turn:

(a) Passing new expenditure responsibilities to local government.

5. There may, independently of the education issue, be merits in transferring housing benefit costs to local government. However the estimated cost of all forms of housing benefit (£3.3bn)* does not match the cost of the transfer of education to the centre. And the uneven incidence of housing benefit expenditure would require compensating adjustments to the Needs Grant arrangements. The Secretary of State for the Environment has provisionally concluded that changes in benefit would neither help nor hinder the present problem, but should continue to be considered separately on their merits.

* This is a provisional estimate of cost following the planned housing benefit reforms and the change to community charge rebates, subject to detailed analysis.

(1) Local Domestic Taxes and Central Taxation

6. If local government were to retain the NNDR income, reducing local domestic taxes (community charges) would be ruled out as a substantial element in dealing with the £11.8bn by the fact that community charge income amounts to only £7.2bn. Thus, to take (for example) even £5bn out of local authority finance in this way would reduce community charges across the board by £140, from average £205 to £65 per head. The impact would vary between authorities, since the range of community charges is very wide. But about 35 lower-spending authorities would have enough, or more than enough, from NNDR and specific grants without having to raise a community charge at all. There would be no guarantee that community charges would in practice be reduced to this extent: local authorities might choose to increase spending on their remaining functions instead.

7. A reduction of that order would be unacceptable in terms of the Green Paper principle of obliging local authorities to raise a community charge linked to their spending decisions, to restore local accountability.

(c) Withdrawal of Exchequer Grant to Local Authorities

8. Not all Exchequer grant could realistically be withdrawn. Specifically:

- The £2.8bn of Specific Grants, supporting expenditure on the Police, Transport, Urban Programme etc must probably remain, to preserve Departments' leverage over the policy programmes concerned.

- Of the £5.4bn Need Grant only £1.5bn relates to the functions being transferred. The remaining £3.9bn cannot reasonably be withdrawn, since this would lead to great variation in community charges, due not to authorities' spending choices, but to the incidence of need, bearing harshly on the local residents concerned.

- Standard Grant of £3.6bn could, in principle be withdrawn in full, but has been presented in the Green Paper as a central government contribution, from progressive taxation, to reduce the absolute level of taxes for all local services. As such it is part of the response to concerns about the regressivity of the community charge. It is also likely to be the main source of central grant support for low need authorities like Surrey and Hertfordshire.

(d) Transfer of NNDR Income to the Centre

9. The 1986/87 yield of NNDR is £7.8bn. Centralisation would have a number of drawbacks:

(i) Business would be very anxious about the implications of a fully centralised non-domestic rate.

(ii) Full centralisation, combined with withdrawal of Standard Grant, would leave areas with low needs like Surrey and Kent with virtually no grant support besides specific grants.

(iii) Presentation. If there were direct linkage of NNDR to education costs, business may seek undue involvement in educational policy. If there were no linkage, it might appear that business was not contributing to the costs of their local services.

(iv) Administration. Local government might be unwilling, even on an agency basis, to collect non-domestic rates in this form, acting in effect as tax collectors for central government. There would be central government manpower implications if this work were to be taken over by the Inland Revenue.

(e) A Combination of Options

10. Taking into account these various factors, the following combination could be adopted:

- Reduction in Needs Grant in line with the transferred education functions	£1.5bn
- Transfer of NNDR to central government	£7.8bn
- Reduction of Standard Grant from £3.6bn to £1.1bn	£2.5bn
<hr/>	
Total Expenditure	£11.8bn

Table 3 illustrates the figures for local and central government, before and after adjustment on this basis.

11. The rationale for this combination is essentially:

(a) Major reductions in local domestic taxes are ruled out because of the serious effect on community charges and the Green Paper objective of restoring accountability. The package should therefore preserve the level of local domestic taxation.

(b) Any solution therefore needs to include a transfer of a major element of NNDR to the centre. Having incurred the drawbacks, there is no particular advantage or logic in going for less than complete transfer.

(c) The reduced level of Needs Grant follows from the transfer of services and is readily defensible.

(d) Steps (b) and (c) enable one (on the 1986/87 figures) to retain about 1/3 (£1.1m) of Standard Grant. This is useful presentationally in preserving a reasonable element of Exchequer support to offset the regressive aspects of community charges. (This element is in effect the balancing item: the amount which could actually be retained would depend on how the broader expenditure and funding figures stand when the reform was introduced.)

If it were decided to make housing benefit costs a more direct local government responsibility (paragraph 5 above), central government subsidy of housing benefit could be withdrawn, but an additional sum of the order of £3.3bn would need to be added to Aggregate Exchequer grant to avoid loss to local authorities as a whole. A large part of that would have to be distributed as additional Needs Grant to avoid significantly distorting community charge levels.

Implications for Local Domestic Taxation

12. The above formula leaves unchanged the balance between sources of revenue - central taxation, NNDR and local domestic taxation. The resources are simply shifted from local to central government. With NNDR becoming part of central taxation, it would be open to Ministers, as a separate issue, to consider whether rates at the present level were the best basis for taxation of business. Ministers noted this at the 3 November meeting.

13. Under this proposal the national average community charge remains as before. However, the effect on individual authorities' community charges varies substantially. This is the result of the combined effect of withdrawing NNDR income and grant, and passing over responsibility for education spending. The loss produced by the former is a largely uniform amount per adult for each authority; but the latter varies with authorities' level of spending on education. In areas of high spending like Manchester and ILEA, community charges would be reduced, compared to the present Green Paper proposal, by about 35%. Conversely low spending authorities like Kent and Lincolnshire would save less than the amount of NNDR and grant income lost. Their community charges would rise by 35-45% compared with the Green Paper.

14. But these changes need not be seen in isolation. If any change were to be concurrent with the implementation of the Green Paper proposals, then it will be the combined effects of the two changes

which will actually be seen. At the regional level, a £57 increase in average local tax bills in Greater London from the Green Paper proposals would be eliminated when combined with this reform. The substantial average reductions in the South East, East Anglia and West Midlands would be scaled down by £15-£25 pa. Overall, the pattern would be substantial reductions in average local tax bills in the South East and the West Midlands, with larger increases in the North and Yorkshire and Humberside where the basic problem remains the removal of subsidies for low domestic rateable values.

15. Average change figures however mask variations within regions. Table 1 summarises the number of authorities gaining and losing, by region, from (A) the Green Paper alone, and (B) the Green Paper plus the reform of education. On the Green Paper alone - and before any safety netting arrangements - 240 authorities would be gainers, 126 losers. Combining the two effects brings the gainers into virtual balance with the losers.

16. The most noticeable effects are in East Anglia where a lot of small gaining authorities are turned into small losers. There is also a noticeable increase in the numbers of losing authorities in the South East, the South West and West Midlands - although in the South East and West Midlands gaining authorities remain in a clear majority.

17. The number of losing authorities is reduced in Greater London, and in particular the number with large losers (more than £50 per adult a year). Although gaining authorities remain in a substantial majority in the South East, the size of their gains is generally scaled down and the numbers of large gainers is halved.

The Range of Community Charges

18. On the Green Paper proposals alone, and without any safety nets, the range of community charges in England would be very large - £100 - £770, a difference of £670. The effect of removing

education is to narrow the range to £130 - £590, a difference of £460. This could have significant implications for the speed at which it would be possible to introduce the community charge, and the extent of any transitional safety net arrangements.

The Impact on Tax Units

19. Table 2 summaries the national and regional gainers and losers in terms of tax units (ie individual or couples). The effect of removing education is to slightly worsen the national balance of losers and gainers; the proportion of losers rises from 48% to 51% (an increase of 600,000). However these are mostly small losers and there is actually a reduction in the number of large losers - tax units losing more than £5 pw - from nearly 1m to just over ½m.

20. The Green Paper reforms on their own lead to a marked pattern of regional losses and gains. Over two thirds of tax units in Yorkshire and Humberside and the Northern Region lose, whereas over 60% gain in the South East and West Midlands. The removal of education alters the regional pattern of losses and gains. In particular the number of gainers falls in the South and Midlands but rises in Greater London and the North, reflecting the general underspend on education in shire areas in the South and Midlands, and overspend in Northern urban areas and Greater London. Indeed in Greater London the proportion of large losers drops by half when education is removed, from 14% down to 7%. This reflects the considerable reduction in community charges when the overspend on education attributable to ILEA and boroughs such as Brent, Newham, and Haringey is taken out of the local finance system.

21. These results reflect the package proposed above. The outcome would be changed if a different package involving some transfer of tax burdens between central and local government were to be chosen.

Broadly, a reduction in overall local taxes would increase the proportion of gainers, but not the relative regional pattern. Changing the balance between standard grant and NNDR would have no effect. Further work would be needed to establish the sensitivity of these results to changes in the financing arrangements described in paragraph 10, if the scope for retention of Standard Grant were reduced by for example changes in the balance between expenditure and funding by the time the reform were introduced.

Capital Expenditure

22. Local taxation would not be affected in any further way by the transfer from local authorities of provision for education capital spending: the figuring above already allows for the transfer of existing debt charge costs.

23. Education PES forms one of the five service blocks (Education, Housing, Transport, Personal Social Service, Other Services) within the combined local authority capital cash block, DOE/LA1: it comes from within DES's overall Education and Science PES programme. Table 4 gives figures for recent years' provision and out-turn, and the existing planned provision for future years.

24. After transfer of education, the PES provision relating to the functions concerned would no longer be fed into DOE/LA1, but retained for whatever alternative method of funding capital expenditure were adopted. As table 4 shows, local authorities have in recent years been overspending both on education and on DOE/LA1 overall. Steps are being taken to improve control of LA capital expenditure but overspending on education may continue within the total. Decisions would need to be taken when the reform was introduced on the appropriate level of education capital investment to be funded within the new regime. If this level were to reflect any continued overspending and exceed existing PES plans, overall PES provision would show an increase, unless offsetting reductions were made elsewhere.

25. The options for dealing with capital expenditure, including the possibility of providing for accommodation and capital costs within the schools' per capita grant regime, are discussed separately in the DES paper

26. The small element of PES provision relating to those parts of education which were to stay with authorities would presumably continue to go into DOE/LA1.

DOE/LGFS

4 December 1986

Doc109mt

TABLE 1

AUTHORITIES' AVERAGE COMMUNITY CHARGE AS AGAINST AVERAGE RATE BILL PER ADULT: NUMBER OF AUTHORITIES GAINING AND LOSING (1986/87 EXPENDITURE, Post DHSS REFORMS)

A. Present Rate System to Green Paper Proposals, Education Unchanged

	England No of Authorities	England % of Authorities	Northern %	Yorks Humbs %	E Mid %	E Anglia %	Greater London %	South East %	South West %	West Midland %	North Western %
Large Losers (£1 + per week)	39	10.7	41.4	34.6	2.5	0	33.3	0	0	0	16.2
Small Losers (£0-1 per week)	87	23.8	55.2	61.5	35.0	10.0	12.1	6.1	19.1	11.1	43.2
TOTAL LOSERS	126	34.5	96.6	96.1	37.5	10.0	45.4	6.1	19.1	11.1	59.4
TOTAL GAINERS	240	65.6	3.4	3.8	62.5	90.0	54.5	93.9	80.8	88.9	40.5
Small Gainers	172	47.0	3.4	3.8	60.0	80.0	42.4	49.0	72.3	61.1	32.4
Large Gainers	68	18.6	0	0	2.5	10.0	12.1	44.9	8.5	27.8	8.1

B. Present Rate System to Green Paper proposals plus Transfer of Education

Large Losers	36	9.8	41.4	30.8	-	-	24.2	1.0	4.3	-	13.5
Small Losers	137	37.4	41.4	65.4	47.5	55.0	15.1	22.4	48.9	38.9	37.8
TOTAL LOSERS	173	47.2	82.8	96.1	47.5	55.0	39.4	23.5	53.2	38.9	51.4
TOTAL GAINERS	187	51.1	17.2	3.8	52.5	45.0	60.6	76.5	46.8	61.1	48.6
Small Gainers	153	41.8	17.2	3.8	52.5	40.0	39.4	50.0	46.8	50.0	43.2
Large Gainers	34	9.3	-	-	-	5.0	21.2	26.5	-	11.1	5.4

TABLE 2

COMMUNITY CHARGE AS AGAINST RATE BILL PER ADULT: NUMBERS OF TAX UNITS GAINING AND LOSING (1986/87 PLANNED EXPENDITURE, Post DIST. REFORMS)

A. Present Rate System to Green Paper Proposals, Education Unchanged

	England Millions of tax units	England % of tax units	Northern %	Yorks Humbs %	E Mid %	E Anglia %	Greater London %	South East %	South West %	West Midland %	North Western %
Large Losers (£5 + per week)	0.9	3.9	5.6	7.8	1.1	0.1	14.4	.4	0.1	0.1	3.1
Small Losers (£0-5 per week)	10.1	44.6	61.2	62.4	47.7	40.3	42.1	32.5	45.4	35.3	48.6
TOTAL LOSERS	11.0	48.4	66.7	70.1	48.8	40.3	56.5	33.0	45.5	35.3	51.7
TOTAL GAINERS	11.0	48.4	29.5	26.3	47.4	55.6	41.4	63.9	52.0	61.0	45.0
Small Gainers	9.4	41.7	26.7	23.5	42.4	49.5	35.7	52.1	45.8	53.3	38.8
Large Gainers	1.5	6.8	2.9	2.7	5.1	6.1	5.7	11.9	6.2	7.8	6.2

B. Present Rate System to Green Paper proposals plus Transfer of Education

Large Losers	.6	2.7	5.1	7.0	1.2	0.5	6.7	0.8	0.8	0.1	1.7
Small Losers	11.0	48.6	57.6	62.5	51.0	50.6	42.9	42.8	52.0	41.5	47.8
TOTAL LOSERS	11.6	51.2	62.6	69.6	52.3	51.1	49.6	43.6	52.9	41.6	49.5
TOTAL GAINERS	10.3	45.6	33.6	26.8	43.9	44.8	48.3	53.3	44.6	54.7	47.2
Small Gainers	8.9	39.4	30.2	24.0	39.2	40.6	41.3	44.6	39.3	47.7	39.4
Large Gainers	1.4	6.1	3.5	2.9	4.7	4.2	7.1	8.8	5.2	6.9	6.8

TABLE 3

1986/87 Budget Figures, £ billion

	Local Government		Central Government	
	Pre- Reform	After Reform	Pre- Reform	After Reform
Total direct spending	26.8	15.0	-	11.8
Grants: Specific	-2.8	-2.8	+2.8	+2.8
Needs	-5.4	-3.9	+5.4	+3.9
Standard	-3.6	-1.1	+3.6	+1.1
	<u>-11.8</u>	<u>-7.8</u>	<u>+11.8</u>	<u>+7.8</u>
Financing required	15.0	7.2	11.8	19.6
Financed by:				
NNDR	7.8	-	-	7.8
Community Charge	7.2	7.2	-	-
Present central government taxes	<u>-</u>	<u>-</u>	<u>11.8</u>	<u>11.8</u>
	15.0	7.2	11.8	19.6

TABLE 3

CAPITAL EXPENDITURE: PES PROVISION AND OUTTURN

SECRET

TABLE 4

		1984/85		1985/86		1986/87		million cash		
		Provision	O/T	Provision	O/T	Provision	Forecast	1987/88	1988/89	1989/90
						O/T		Provision	Provision	Provision
Education (1)	Gross	340	492	326	498	364	553	422	411	420
	Receipts	-65	-79	-70	-96	-62	-119	-63	-65	-67
	Net	275	414	256	402	302	434	359	346	353
	% age gross overspent		45%		57%		44%			
DOE/LAI All Services (1)	Gross	4,438	5,620	4,031	4,819	4,297	5,020	4,928	4,645	4,732
	Receipts	-1,985	-2,095	-2,120	-2,199	-1,936	-2,195	-2,093	-2,095	-2,110
	Net	2,453	3,525	1,911	2,620	2,361	2,825	2,835	2,550	2,622
	% age gross overspent		27%		20%		17%			

Notes (1) All figures exclude expenditure through Urban Programme.

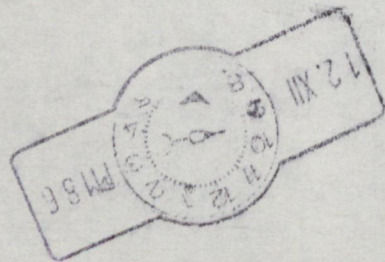
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DOE/LGFS

19 November 1986

TABLE 4

EDUCATION : Policy : PE10



PRIME MINISTER

12 December 1986

SCHOOLS: A TEN-POINT PLAN FOR REFORM

Next week you have two meetings which deal with the reform of education; the Strategy Group on Monday and the meeting of Ministers on Wednesday.

The fundamental choice which has to be made is between

(i) Radical Change

a major upheaval of the whole system including a major restructuring of local government such as

Per capita funding

(ii) Piecemeal Reform

a number of separate reforms which together would constitute a new Education Act comparable to that of 1944. These include,

Management of Schools:

Financial autonomy
Greater powers for heads
Strengthening voluntary-aided schools

Standards

National core curriculum
Disclosure of information
Attainment and examination

Parental Choice

Compulsory open enrolment
Funding rules for LEAs
Right to direct-funding
Village Schools

Radical Versus Piecemeal Reform

The advantage of a radical scheme is that it creates a genuine market for education. Parents have choice, good schools expand, and unpopular schools go to the wall. The disadvantages are that such schemes are weak on practical problems such as school closures, provision for the least able and the regulation of fly-by-night operations.

From a political point of view a radical change will be seen as an upheaval whose ultimate effects in terms of the quality of education is uncertain. By contrast each piecemeal reform can be shown to have specific benefits. More important politically, is that the impact of radical change on local government is devastating. For many Conservative authorities radical reform would unfortunately spell the end of local government as we know it.

On education and political grounds therefore there is a powerful case against radical reforms which abolish LEAs but in favour of piecemeal reforms which when added together become very substantial.

A TEN POINT PLAN

(1) Financial Autonomy

The experiments of Cambridgeshire and Solihull, in which up to 93% of school budgets are devolved to individual schools could be extended throughout the country, first to secondary schools and then to primary schools. The process will take time and could well involve pilot projects in each LEA. One major constraint in terms of the national extension of the project (especially in primary schools) would be the suitability of heads but significant steps could be taken over a five year period. Implementation could probably be

effected through the Secretary of State's powers under the 1986 Act.

(2) Increased powers for heads

Heads are the chief executives of schools. They need similar powers. The role of the head within the school could be strengthened by extending their rights e.g. heads should be involved in the selection and appointment of teaching staff, ex officio membership of the governing body, powers to manage their schools (e.g. sending children home if there is a burst main); greater controls over the curricula. Alongside these greater responsibilities would also be a more regular and systematic method of accountability. Implementation would require primary legislation.

(3) Strengthening voluntary-aided schools

Voluntary aided schools could be granted greater powers e.g. governors should be given the right to dismiss staff as well as the right to appoint staff (at present dismissal is in the hands of the LEA), decide on the nature of appointments for non-teaching staff. Implementation would require primary legislation.

(4) National Core Curriculum

The content of education varies enormously at present both between schools within the same local authority and between authorities. The reason for introducing a national core curriculum is to ensure that all schools throughout the country provide a good basic education, especially in numeracy and literacy. This means that mobility of families would not be restricted because they were locked educationally into certain authorities.

This is likely to be very popular with parents and employers but highly unpopular with teachers, who have been used to such enormous freedom. Implementation would require primary legislation.

(5) Compulsory Open Enrolment

At presentation LEAs place admission limits on schools which are below their physical capacity. Compulsory open enrolment would mean that schools which were popular with parents would be allowed to take children up to their capacity. Because of falling rolls, the LEA would close schools with inadequate numbers. For secondary schools this scheme would mean that parents rather than LEAs determined which schools expanded and which contracted.

If compulsory open enrolment were linked to funding rules for LEAs, popular schools would be in a position, providing they had the space, to expand through the renting of nearby properties or the acquisition of terrapins. These cost £12,000 each and house 30-35 pupils: they can be moved in a day at a cost of £3,000. This means that marginal expansion of schools is very much easier and less expensive than might be imagined.

DES officials will pour cold water over the potential of this scheme. They will argue that physical limits are difficult to quantify and that unpopular schools would be unable to provide a proper curriculum. Their conclusion will be that the potential of the scheme is very limited. Discussions with headteachers and chief education officers suggests this is an invalid interpretation. Implementation could conceivably take place under existing powers.

(6) Funding rules for LEAs

The logic of financial autonomy is to produce greater

scrutiny of school budgets by heads and governors. At present LEAs have complete discretion in setting the total budget for individual schools as well as the amount they spend on education.

This discretion could be greatly reduced. If DES were to announce and publicise an annual per capital cost of schooling (which would almost certainly differ for primary, secondary, and for rural and urban schools) then governors and parents would be able to compare the budgets of their schools with a national standard. This would force LEA's to justify departures from the norm in a way which it does not have to do to any significant extent at present.

(7) Right to Direct-Funded Status

The problem of dissatisfied parents in LEAs such as Brent, Haringey and Liverpool, as well as the need to satisfy the aspirations of parents in other LEAs to secure greater control over their local school, could be dealt with by creating a new category of school and endowing parents and governors with a new right.

Parents and governors could be given the right to change the status of their schools. Instead of schools having maintained county status and being run by the LEAs, they could become National School Trusts, run by a newly created body, independent of but directly financed by the DES. They could be given comparable powers to voluntary aided schools or CTCs. Issues such as the appointment of governors, the precise method of funding, the legal identity of the new National Trust for Schools would need to be worked out in detail.

The freedom to exercise this choice would be very popular with parents and governors. It would however lead to a fundamental change in the role of the LEA; instead of being

SECRET

a detailed planning body owning most of its schools it would become a facilitating body helping others to realise their objectives. They would be in a position "to fill the gaps" as W. E. Forster said of the School Boards in the 1870 Act.

An important point to settle would be the electorate which decided on the change: governors, parents, or residents (and for the latter either those in the school catchment area or those within the LEA.) It would clearly be necessary for governors to be involved and probably a simple majority vote would suffice to effect a change. It would also be important for parents to be involved probably with a two-thirds majority and a veto this would clearly need discussion. Implementation would require primary legislation.

(8) Disclosure of Information

Each school should be required to produce an annual report and annual accounts in a standard form covering the following: objectives of school, staffing, public examination results, finance, other results (arts, sports etc), headmasters report, governors report. The details of what it would be required to produce and the information required to disclose would be set down in an Act of Parliament.

This will be fiercely resisted by producers' interests as it exposes the wide range of outcomes of different schools and is a direct assault on the collective objectives of trade unions. Implementation would require primary legislation.

(9) National Standards of Attainment and Examination

We need to achieve higher standards of attainment in our schools, with children reaching academic levels which are set externally and apply nationally. Measuring the

achievement of pupils depends on an agreed set of standards. The standards of what children are expected to attain need to be set for the country as a whole. Would specify what most children should know and be able to do at key stages of their development, such as 7, 11 and 14 years of age. Implementation would require primary legislation.

(10) Village Schools

Earlier this year DES officials prepared a paper outlining different ways by which LEAs could offer financial assistance to schools which were due to close but which had additional financial backing from their communities to keep them open. Basically the status of the schools would be changed from county to independent and they would have new trustees appointed as foundation governors. The LEA would continue to fund the pupils who attended at the standard cost for the county, as a whole and if necessary continue to provide transport.

Keith Joseph's conclusion was that "they would run counter to our policies on falling rolls and size of schools". The DES are implacably opposed to anything which smacks of privatising schools.

The proposals were fundamentally sound and workable. They are very popular in the Shires. All it requires is the political will to implement them. They should be resuscitated and would require legislation.

Recommendation

1. Would you like the individual proposals worked on?
2. Quite apart from any contribution from the Policy Unit it would also be crucial for the DES to be asked to prepare separate papers on each proposal.

34.

BRIAN GRIFFITHS

CCB



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Viscount Whitelaw CH MC
 Lord President of the Council
 Privy Council Office
 Whitehall
 London
 SW1A 2AT

11 December 1986 NBM

Dear Lord President,

**EDUCATION, SCIENCE AND ARTS COMMITTEE (ESAC)
 REPORT ON PUBLIC EXPENDITURE**

I have seen Kenneth Baker's letter to you of 5 December enclosing a revised draft reply to this report.

While I understand his point that paragraph 4 may not be the best place to include an attack on LA waste I agree with Nicholas Ridley that we should be more robust on this issue in the reply. Perhaps paragraphs 16 and 17 on value for money would be a more suitable context. I suggest we add two sentences along the lines of the following:

"The Audit Commission has identified potential savings on LA current expenditure of between $\frac{1}{2}$ and 1 billion, including most recently $\frac{1}{2}$ billion a year by 1990 from rationalising provision in response to falling secondary school rolls. The Government believes that if these and other opportunities were seized, LEAs could make good progress with national and local policies for improving quality of education at a substantially lower level of expenditure."

I am copying this letter to the Prime Minister, members of H Committee and to Sir Robert Armstrong.

Yours sincerely
 Mat Felstead

PP JOHN MacGREGOR

(Approved by the Chief Secretary and signed in his absence)

Education
Policy
PT 10





2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

cc 66

The Rt Hon Kenneth Baker MP
Department of Education and Science
Elizabeth House
York Road
LONDON
SW1

My ref:
Your ref:

11 December 1986

NBR
Dear Secretary of State,

EDUCATION, SCIENCE AND ARTS COMMITTEE ON PUBLIC EXPENDITURE

I have seen a copy of your letter of 5 December to Willie Whitelaw and the revised draft reply to the Committee's report.

I feel we should take every opportunity to press home the message that resources need to be managed more efficiently by local authorities and to make the point that there are very substantial savings to be made.

I suggest that this could be done by making the following amendments to paragraph 4:

(i) replace the second sentence with:

"However that does not mean the Government accepts that local authorities need to spend at the level allowed for in its plans for future years. There is clearly scope for local education authorities to manage their resources more efficiently and to achieve the potential savings that exist."

(ii) insert after the fourth sentence;

"The Audit Commission Report on secondary education indicated that a potential saving of £500 million a year could be made from falling school rolls."

(iii) insert at the end of paragraph 4;

"The Audit Commission Report "Obtaining better value for money from further education" identified opportunities for improving value for money in 165 (out of 550) polytechnics and colleges of further education worth over £50 million a year."

Subject to these amendments, I am content with the draft response. I am copying this letter to the Prime Minister, Members of H Committee and Sir Robert Armstrong.

Yours sincerely,

Ridley

PP

NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence.)

EDUCATION

POLICY

PT-10



cc BG



Prime Minister ²
 ALV
 11/12

PRIME MINISTER

10 DECEMBER 86

EXAMINING A LEVELS

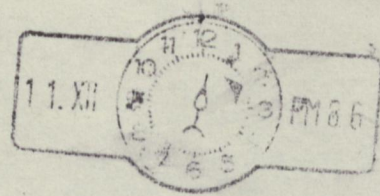
I have seen the proposal in the minute of 13 November from the Secretary of State for Education and Science for an exercise designed to improve the system of individual A levels and your response conveyed in your Private Secretary's letter of 19 November.

Taken together with the development of Advanced Supplementary (AS) levels, I think such a study would contribute to both the standards and relevance of 16 - 18 education. I am, however, concerned that the curriculum of individual students will in most cases remain focussed on a small number of closely related subjects in a way that is highly unusual amongst our successful competitors. I would very much hope that the Secretary of State for Education and Science would develop a programme, perhaps involving compulsory AS levels, to widen the sixth form curriculum while maintaining the highest standards in key subjects. This would keep more options open at 18 for full or part time higher education and employment.

I am sending copies of this letter to the Secretaries of State for Education and Science, Wales, Northern Ireland, Scotland and Trade and Industry and to Sir Robert Armstrong.

ref

Education
Policy
PT 10



RECEIVED UNIT

EXAMINING A LEVEL

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SP



Ref. SS/109/12

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

P A Bearpark Esq
Private Secretary
10 Downing Street
LONDON SW1

8 December 1986

cc: BG

P. Questions.

PS

See hold

PS

Dear Andy

ST JUDE'S (CHURCH OF ENGLAND AIDED) PRIMARY SCHOOL, SOUTHWARK

I understand that the Prime Minister expressed an interest in events at this school, where the head teacher was earlier suspended for a brief period.

At the Secretary of State's request, the governors have let the Department see the report of a Diocesan Board of Inquiry which was set up, and have informed us of the action they are taking in the light of it. Earlier reports by Inspectors (of both the Inner London Education Authority and the Southwark Diocesan Board of Education) had criticised teaching at the school, and the management and attitude of the head teacher, Mr Dugan. The report of the Inquiry, which has now been sent to the Department, concluded that Mr Dugan should not continue as head teacher. This recommendation has not, however, been accepted by the governors who have decided instead, while accepting the report's findings, to give Mr Dugan a final written warning that should he fail to implement the recommendations of the earlier inspectors' reports by Easter 1987, further disciplinary action might be taken, which could lead to his dismissal. The responsibility for the school, as Mr Starr points out, rests with the governors, and there do not appear to be grounds for further intervention by the Department.

Yours sincerely

Shirley

MRS S J TRUNDLE
Private Secretary



B72BAG
bc BG

bc Questions

10 DOWNING STREET
LONDON SW1A 2AA

8 December 1986

From the Private Secretary

FINANCIAL AUTONOMY IN SCHOOLS

The Prime Minister has received a report on experiments which have been running in Cambridgeshire and Solihull to give greater financial autonomy to individual schools. These seem, in general, to be a considerable success and the Prime Minister is inclined to give some publicity to them by mentioning them at Question Time.

B7

I should be grateful if you could consider this, and provide a line to take, or, if appropriate, suggest how otherwise they might be publicised.

I am copying this letter to Tony Kuczys (HM Treasury) and Robin Young (Department of the Environment).

(DAVID NORGROVE)

Mrs. Shirley Trundle,
Department of Education and Science

B7C

4
PRIME MINISTER

*Thanks on very much.
We should try &
for some of
this information
out in Committee
not*
5 December 1986

DKN
9/12
Financial Autonomy in Schools: the Cambridgeshire and Solihull experience

Delegating financial decisions to the school level has been practised in ILEA, Cambridgeshire and Hertfordshire for some time, but only for small amounts of money e.g. capitation allowances, ancillary staff.

Over the last five years or so Cambridgeshire, Cheshire, Solihull and East Sussex have extended delegation in a major way (in some cases to over 80% of the budget) and there are suggestions that enterprising Labour controlled authorities (Coventry and West Glamorgan) are considering its introduction.

The two most advanced experiments are Cambridgeshire (C) and Solihull (S).

I What is Financial Autonomy?

Financial autonomy means that heads and Governors control their own budget within a total school cash limit established by the LEA. This means freedom to (i) vire between all heads of expenditure, (ii) let the school and fix charges, (iii) utilize underspendings, (iv) carry forward overspending and underspending to the next financial year. These freedoms are naturally within certain constraints e.g. legal, Burnham scales, policies of the Education Committees.

Typically included in an autonomy scheme would be control over:-

Teacher staffing
Supply cover for teachers
Ancillary staff
Caretakers and cleaners
Rent and rates
Fuel, light and cleaning materials and equipment
Furniture and fittings
Text books, library books, stationery and materials
Examination fees (secondary schools only)
Administrative, educational and domestic equipment
Printing, office stationery, postage and telephones
Educational visits, staff advertising, staff travelling
and subsistence expenses, and
Income

while the following would be typically excluded:-

Debt charges
Pupils transport
Insurance
Pensions
Maternity benefits and long term sickness

In addition certain items for which there are Borough-wide contracts may also be excluded e.g. repairs of computers, gym equipment and the schols meal service, even though in principle they could be included.

Pilot scheme to borough-wide coverage

Both Solihull and Cambridgeshire started with pilot schemes: Solihull with 3 schools in 1981 (1 primary, 1 secondary, 1 Sixth Form College) which they extended to 8 schools in 1985; and Cambridgeshire with 6 secondary schools and 1 primary school in 1982. Cambridgeshire is now extending the scheme to all secondary schools and establishing a pilot scheme for primary schools; while Solihull is planning to

make all secondary schools autonomous by 1988 and to increase gradually the number of primary schools within the scheme.

Apart from extending the scheme to more schools S and C are also considering whether more of the budget can be devolved (e.g. school meals, cleaning).

II Effects of autonomy

1. Schools have used their freedoms in a variety of ways. In C, all schools in the scheme have increased teaching and ancillary staff and reduced premises cost. In S one primary school in 1985/6 increased capitation 58% and plan to increase it by 77% in 1986/7.

In S planned virement for 1986/7 is between 2-3.6% of budget in secondary schools and 2.3-5.4% in primary schools; in cash terms £19,900-£41,200 for secondary schools and £5,800-£11,400 for primary schools.

2. Autonomy is more popular in secondary rather than primary schools for two reasons

(a) in primary schools ~~for~~ scope for vire is less and

(b) some primary heads do not wish to vire (and neither does the LEA wish them to either).

3. Savings from financial autonomy tend to get put into special projects e.g. development of science teaching and typewriters.

III Benefits of Autonomy

In both Solihull and Cambridgeshire financial autonomy has been a great success. The benefits have been ~~been~~.

Enterprise culture

1. Autonomy raises the morale of heads, staff and governors and changes the ethos of the school: people become concerned with management not just finance, they are given real choice and responsibility in important areas, they are forced to define their objectives and their needs more precisely, and there is a greater feeling that they are doing a "worthwhile job" e.g.

- the head of an excellent secondary school in Solihull, who had started as sceptic was effusive in her praise of how it had worked out

- the head of a junior school said how much more interesting and exciting the job had become since autonomy had been introduced.

All heads in C who have experienced autonomy are enthusiastic and in S only one head is doubtful. The major objections to the scheme have come either from ideologues or autocratic head teachers.

Staff accept autonomy because they see tangible savings, work as varied as repairs | buying new equipment | and curriculum development | being done more quickly and also because they can make recommendations for improvements themselves.

In short, financial autonomy is a way of creating a more enterprising culture at the school level.

Value for money

2. The heads and senior staff are able to reorder priorities to match their immediate needs rather than having

them imposed from outside. Heads, governors and staff feel strongly that value for money is best decided by those closest to the action. Autonomy places emphasis on the school not county hall.

One particular item mentioned was maintenance:- repair of windows, tiles, water supply, toilets etc. This was done far more efficiently and quickly at the school level than through the LEA. Even though it involved more time it involved less time than having constantly to chase up the LEA.

Quality of education

3. Autonomy improves the quality of education for the children. The typical questions it forces staff to ask are "Where are we now? What do we hope to achieve with the children? What resources do we need? How can we finance it? Is the eventual spending worth it in educational terms?"

One headmaster put it: "Autonomy has helped sharpen these questions in all of our minds and it is allowing a quicker, more effective, less costly answer to the schools' needs". e.g. in one school it's helped curriculum development by the staff being able to devote resources to certain areas which previously would not have been available; several schools have diverted resources into more teachers and more tutorial groups; a sixth form college has been able to buy more micro-computers and improve foreign language assistance; a primary school has introduced a new library jointly funded with parent support and increased extension reading books.

All of these have improved the quality of education.

Planning

5. It enables schools to plan more effectively with a greater continuity of purpose. The fact that budgets can be carried forward and that the main budget can be linked to PTA funds and Inspectors funds enables a more constant overall plan to be produced.

LEA needs

6. The scheme has forced LEAs to be much clearer over their requirements for schools e.g. curriculum development, school performance, the use of the Inspectorate.

Governors

7. Governors have been enthusiastic supporters of the scheme. It has helped them become more involved in the running of the school, as they have been put on committees dealing with autonomy. They have also been more enthusiastic about raising private money. And in addition, Governors have begun to raise questions over the basis on which LEAs setting budgets for individual schools. This has potentially far reaching effects over the size of the education budget and the LEA responsiveness to parental choice.

IV Conditions for success

1. The LEA must allow the individual school to retain its efficiency savings. There has to be a carrot. If the LEA were to penalise successful autonomous schools by for example cutting their budget in order to cut costs the initiative would be in danger of collapse. This may account for the failure of the experiment in Lincs.

2. Both C and S have committed, / enthusiastic people running the scheme. / In C the individual concerned with extending the scheme is a seconded headteacher. Enthusiasm is infectious. When those with responsibility for selling the scheme also have first hand experience of running good schools the combination is powerful.

3. Autonomous schools need certain kinds of heads - they must want freedom, be prepared to handle figures, accept management responsibility, and communicate with staff. Not all heads have these qualities at present, though some may well wish to develop them. To help this process an LEA can always make these characteristics a requirement of the job of head teacher.

V Problems of autonomous schools

Who does the work?

The detailed management of an individual schools takes time. In existing schools this is done by a variety of people e.g. part time bursar, / head in spare time (weekends?), / enthusiastic senior teacher. Autonomy has a cost as well as benefits and this must be faced.

Does it benefit the pupils?

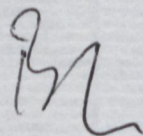
Sceptics may argue that autonomy delegates decision from one set of bureaucrats (LEA) to another (teachers), neither of whom need be directly responsible or accountable to the consumer? The answer to this is that increased value for money from autonomy does seem to have resulted in more things that pupils have wanted in individual schools.

What about unwilling heads and teachers?

Autonomy could not work in this situation.

Conclusion

Financial autonomy is working well in C and S. It needs to be extended. It is one small element in a package of piecemeal reforms which could change the face of education in this country. From my visit to Birmingham schools earlier in the week the major opposition to its extension is likely to be not LEA officials but militant councillors and left-wing teachers.



BRIAN GRIFFITHS



CCBG

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1 2AT

NGOH

5 December 1986

D. Miller

EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT ON PUBLIC EXPENDITURE

I am assuming that colleagues have no further comments to offer on the draft reply to this report, which I circulated on 21 November. I attach a revised draft which incorporates the specific amendments which have been suggested.

Nicholas Ridley's letter of 28 November raises a broader point. I am as convinced as he is of the scope which exists for local authorities to manage their resources more efficiently. I said as much in my 6 November statement to Parliament about education expenditure. Paragraph 4 of my text already points to two areas - advanced FE and the stock of school buildings - where our longer term plans imply significant savings in expenditure. However, it remains a fact that the plans for local authority spending next year are based on 1986-87 budgets. We expect local authority spending next year to be broadly in line with present policies even if we do not think that it needs to be. Against that background trumpet calls for the elimination of wasteful spending have to be set carefully in context if they are to carry conviction. To insert one here would be wide of the Select Committee's recommendation, on the desirability of longer term planning, where we have a positive story to tell. It would open up a source of controversy in my relations with the Committee to no good purpose.

Nevertheless, I have strengthened paragraph 4 by pointing up a further area where our longer term plans call for greater efficiency - non-advanced further education. I hope that in the light of this and the other changes I have made he and you will feel able to agree to publication. It would be helpful to have a response as soon as possible, and not later than 10 December.

I am copying this letter and the revised text to the Prime Minister, members of H Committee and to Sir Robert Armstrong.

Lawson *Armstrong*

DEPARTMENT OF EDUCATION AND SCIENCE EXPENDITURE PLANS 1986-87
TO 1988-89 (CMND 9702) AND SUPPLY ESTIMATES 1986-87: GOVERN-
MENT RESPONSE TO THE SECOND REPORT FROM THE EDUCATION, SCIENCE
AND ARTS COMMITTEE, SESSION 1985-86

Introduction

1. The Government welcomes this first report from the Education, Science and Arts Committee on DES expenditure plans and supply estimates, and looks forward to the Committee's future work in this area.
2. The Committee make seven recommendations in the Report; this response sets out and comments on each recommendation in turn. The response insofar as it relates to DES responsibilities for local education authority matters, refers to the position in England.

Current Expenditure

We therefore recommend that the Government should in future publish plans for local authority current expenditure - including those for education - which represent the Government's best estimate of what local authorities are likely to spend in the following three years. (paragraph 9)

3. The Government shares the Committee's view of the desirability of providing local authorities with planning figures for expenditure in the two later years of the Public Expenditure Survey. The particular uncertainties about future spending by local authorities which underlay the decision to restrict firm planning figures in Cmnd 9702 to the first year were set out in HM Treasury's Observations on the Third Report from the Treasury and Civil Service Committee on the Public

Expenditure White Paper 1986. The 1987 PEWP will carry firm planning figures for three forward years. The distribution between services of total planned expenditure will be subject to review in the light of demographic trends, local authority budgets and other factors including the Government's commitments and priorities. But local authorities will have a clear indication of the level of local authority spending for which the Government has allowed in its plans for future years.

4. The Committee will recognise, however, that decisions on what is actually spent rest with the local education authorities. In planning their expenditure they will have regard to local circumstances and their own policies for the service, as well as Government views. The Government promulgates longer-term policies for the property and manpower of the education service, as well as the annual expenditure plans. For example, this year the Department set targets for the number of surplus school places to be taken out of use nationally in each year up to 1992. The aim of achieving a student to staff ratio (SSR) of 12:1 in advanced further education is well established, and our plans for 1987-88 and later years imply a significant tightening of SSRs in the non-advanced sector, as part of a longer term efficiency target. The development of policies for the staffing of schools is under discussion with the local education authorities.

Capital Expenditure

The Department of Education and Science should take steps to assess the real, long-term changes in spending on maintenance of assets and to analyse the quality of the capital stock. Where there is evidence of poor maintenance, capital allocations should be revised so as to encourage additional

improvements in areas with particularly poor capital stock. In addition, we would favour a more general shift in the balance of public expenditure so as to increase the real level of education capital expenditure. We recommend accordingly. (paragraph 24)

5. The Government acknowledges the desirability of a well-maintained capital stock for the education service. Maintenance of assets is a current expenditure item. It is for local education authorities themselves to decide how much to devote to maintenance within their total current expenditure. Studies of the trends in local authority expenditure on maintenance have been conducted and will continue. A sample survey of school building improvement needs has recently been launched. It is designed to give a reasonably reliable national picture of the work which local education authorities consider necessary to bring school buildings, other than aided schools, up to defined standards of functional and educational adequacy and of physical and environmental condition for 1991 pupil numbers. The Department will inform Parliament of the outcome of the survey.

6. The methodology for distributing local authority capital provision to individual authorities incorporates the use of an indicator of physical state and educational suitability of school buildings derived from information supplied by local authorities. The methodology is regularly reviewed. How the local authorities spend their capital allocations is at their discretion. Allocations are not tied to specific services.

7. The resources which can be devoted to capital expenditure depend on the merits of the proposed categories of expenditure and the many claims on public expenditure as a whole: the Government notes the Committee's views on the priority which capital expenditure should receive, and has announced in the Autumn Statement increases over previous plans for capital provision for local education authorities and voluntary

schools. In addition to these allocations, significant spending power is available to local authorities from capital receipts.

Presentation

It is in our view important that capital spending within central government should be identified in total, separate from current expenditure. We recommend that this should be done in future White Papers. (paragraph 24)

8. The Government will take into account comments made by the Committee, and by the Treasury and Civil Service Committee in its Third Report in the 1985-86 Session, on the presentation of its expenditure plans. It is intended to publish the information requested by the Committee on total central government capital spending on education in the 1987 Public Expenditure White Paper.

Student Awards

We recommend that the DES immediately considers the equity of continued reductions in the basic student award following a period in which the figures produced by the DES show that there has been a cut in real terms. (paragraph 33)

9. The student support review is considering the financial support of students studying at first degree level in Great Britain. In reaching its conclusions it will take account of the recent changes in the value of the student award and of the Government's aim as expressed in the White Paper "Reform of Social Security" (Cmnd 9691), of removing students from dependence upon social security benefits. It will also take account of the Committee's recommendation.

10. The Government's expenditure plans published in the Public Expenditure White Paper cover three years only. The

1986 White Paper does not cover 1989-90 or subsequent years. Public expenditure is reviewed annually and final decisions on the level of student awards expenditure in the forthcoming year are taken in the light of that review.

Specific Grants

We therefore recommend that the DES, in conjunction with the Department of Employment, takes immediate steps to research the effects (both intended and unintended) of all centrally-funded initiatives and specific grants which affect education and training and that the results of such research should be made public (paragraph 41)

11. The Committee's report expresses concern that the introduction of the Youth Training Scheme appears to have affected the proportion of young people taking A levels in schools. This point is discussed fully in the DES note of evidence to the Committee (reproduced as Appendix 5 to the Report). The note drew attention to the Youth Cohort Study which has been designed to provide information on the education, training and employment of young people including the factors which influence the staying on rate. The first report of some preliminary findings was published in July 1986.

12. The Government's policy for 16-19 year olds is that they should be encouraged to continue with their education and training in whatever form is most appropriate to their needs, abilities and aspirations. The small drop in the A level participation rate and the possibility that some young people have opted for YTS who might otherwise have taken A levels is not in itself a cause for concern. The Government has no reason to believe that significant numbers of young people who would derive more benefit from taking A levels are opting for YTS instead.

13. Arrangements to monitor the effects of centrally-funded initiatives on education and training already exist and will be improved and developed. These are:

- (a) Each activity within the Education Support Grant programme is evaluated as shown in Annex 2 to the Committee's report;
- (b) TVEI projects are monitored and evaluated at both national and local level. The results of the evaluations are widely disseminated;
- (c) Contributions from MSC towards work-related NAFE are subject to the acceptance of an LEA's three-year plan and a specific programme for the first year. The responsibility for monitoring provision lies with LEAs. Research continues into evaluation and the establishment of performance indicators.

14. The Committee also mentions the industrial language training service. That service is in the midst of a major review. A consultative document on the scheme was published in April 1986 and any decisions for the future will be made public.

Volume Terms Expenditure Measures

We therefore recommend the introduction of volume measures of past education expenditure in a table presented in the same way as Table 3.12 in the 1986 White Paper to complement the existing cash figures. (paragraph 45)

15. The Government has no plans to introduce volume measures of education spending. Such measures would be inconsistent

with the basis of cash planning. Rather than examining the volume of inputs consumed, the Government will continue to encourage the development of performance indicators in education.

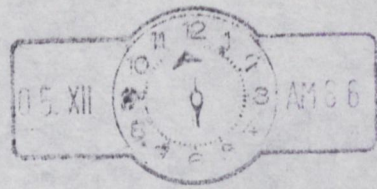
Objectives and Performance Measures

It is crucial that consideration be given by the DES to the detail of aims and objectives for the education service and to how the achievement of such aims may be demonstrated. We recommend accordingly. (paragraph 49)

16. The Government is concerned, as is the Committee, that improvements are made in setting objectives for the education service and measuring its performance. The Government's objectives for education are kept under review. Various Government publications have set out detailed objectives for specific parts of the education service; such objectives have been published in "Better Schools" (Cmnd 9469), "The Development of Higher Education into the 1990s" (Cmnd 9524), and more recently, "Working Together - Education and Training" (Cmnd 9823) and in the Public Expenditure White Paper.

17. The Government is encouraging the development of performance indicators for different sectors of the education service within the limits set by the availability of data. It is important that any such measures are consistent, easily understood and workable.

EDUCATION
Policy
PT70



CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 December 1986

Dear Rob

MEETING WITH BARONESS COX

The Prime Minister saw Lady Cox for half-an-hour this afternoon, at Lady Cox's request. The purpose of the meeting was to up-date the Prime Minister on some of the recent concerns of Lady Cox and her colleagues.

Lady Cox began by reporting her deep anxiety that local authorities under the control of the hard left were seeking to destroy the educational system in general, and good schools in particular. She referred, by way of example, to proposals in Leeds to abolish the sixth form in one comprehensive she had visited, which would effectively destroy its good reputation. Lady Cox hoped the Secretary of State for Education would step in, in the last resort, to prevent the destruction of good schools by this means. She also hoped that the Government would be willing to give some kind of assurance that good schools would be protected in the longer term.

Lady Cox next passed the Prime Minister a proof copy of a booklet "The Radical Manifesto". The booklet would be published by the end of the week, and she would ensure it was sent to Ministers in your Department. Its purpose was to try and give hope to parents of children who were trapped in inner city areas where education was under the control of irresponsible local authorities. A way had to be found of reducing that control. A number of like minded people had been involved in producing the booklet, including Roger Scruton, Jessica Douglas-Home, John Marks, Laurie Norcross and Lady Cox herself. The Prime Minister commented that Ministers were considering education policy at present, and the booklet had appeared at just the right time.

Lady Cox then referred to her particular concern about the promotion of homosexuality in schools. She passed the Prime Minister a copy of a booklet by Rachel Tingle "The Promotion of Homosexuality" (I hope I have the author and title right). Lady Cox reported that the Earl of Halsbury was proposing to introduce a bill to tackle this problem, and she understood its second reading would take place on 18 December.

CONFIDENTIAL

File

VC

Ce Master

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Anti-racism, Lady Cox continued, had become a particularly pernicious movement in schools. Children were being intimidated from expressing their own views. Lady Cox passed the Prime Minister a copy of a book dealing with this: "Anti-Racism" edited by Frank Palmer. It contained contributions from authors on a cross-Party basis, including one Labour supporter. On the general theme of indoctrination, Lady Cox also referred to an ILEA publication for children on Auschwitz. She had been appalled to discover that this contained references to the war in the Falklands, the Government's trade union reforms and GCHQ. Lady Cox was also greatly concerned about a book by Raymond Briggs which appeared to be produced for children on the Falklands entitled "The Tin Pot Foreign General and the Old Iron Woman". She asked the Prime Minister whether any action could be taken against it. The Prime Minister said she was aware of the book, which was indeed dreadful, and suggested that Lady Cox might take the matter up with Hamish Hamilton, the publishers.

Finally, Lady Cox said she was concerned about the lack of positive incentives the Government was giving to parents who had struggled to take children out of the state system. She referred in particular to the John Loughborough School in Tottenham, which provided largely for West Indian children whose parents had in despair abandoned the state system and set up their own school. Lady Cox mentioned in particular one parent who had said that until the John Loughborough School had opened he had had to send his child to the West Indies to get a British education. The Prime Minister took careful note. Lady Cox urged that the Government should consider how it could do more to help parents wishing to set up schools in this way.

I am copying this letter to John MacNaughton (Lord President's Office) and to Brian Griffiths here.

Y. Lewis

Mark Addison

MARK ADDISON

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

CONFIDENTIAL

CCBA



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Oddi wrth Ysgrifennydd Gwladol Cymru

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

2 December 1986

J. Williams

NBP

**EDUCATION, SCIENCE AND ARTS COMMITTEE
REPORT ON PUBLIC EXPENDITURE**

Kenneth Baker copied to me his letter to you of 21 November enclosing a draft response to the Education Select Committee's report on Public Expenditure which was published in July.

Paragraph 1 of the introduction to the draft Government response makes it clear that the Report concerned DES expenditure plans and supply estimates. The Committee did not examine the position in Wales, where responsibility for local education authority matters rests with my Department.

There is a great deal in the Report and the draft response which is of relevance to both Departments. However there are some differences and to avoid any misunderstanding it would be helpful for the response in certain instances to be couched in terms of "the Department" rather than "the Government". The paragraphs which should be amended in this way are paragraph 4 line 8 and paragraph 5, the penultimate line.

The sample survey referred to in paragraph 5 does not extend to Wales. The same is true of the methodology described in paragraph 6. The reference in paragraph 7 to the Autumn Statement relates only to England - I announced the increase for Wales in the Welsh Grand Committee on the 26 November. Possible misunderstanding on these matters could be avoided by adding a new sentence to paragraph 2 of the draft response as follows.

"The response insofar as it relates to DES responsibilities for local education authority matters, refers to the position in England".

/ I am copying this letter to the Prime Minister, Members of H Committee and to Sir Robert Armstrong.

J. Williams
NBP

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council

Education
Policy
P970





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Secretary of State for Trade and Industry

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CONFIDENTIAL

| December 1986

Mrs Shirley Trundle
Private Secretary to the
Secretary of State for
Education & Science
Elizabeth House
York Road
London SE1 7PH

NBPN

Dear Shirley,

EXAMINING A LEVELS

My Secretary of State has seen your Secretary of State's minute of 13 November addressed to the Prime Minister, and David Norgrove's reply of 19 November.

Mr Channon welcomes your Secretary of State's proposed review of A levels and agrees that the GCE Boards are not best placed to undertake an initiative of this sort. He is pleased that the review committee is likely to include an industrialist, and that your Secretary of State's letter recognises the importance of relating A level syllabuses to the needs of industry; this will be of continuing importance as those needs change and develop. The maintenance of high academic standards at A level is also important if these qualifications are to retain the respect of employers.

My Secretary of State has asked whether the needs of industry and commerce might in some way be brought within the Committee's terms of reference, to ensure that this aspect is given due consideration in the review.

I am copying this letter to David Norgrove, Colin Williams (Welsh Office), Neil Ward (Northern Ireland Office), Caroline Slocock (Department of Employment), Robert Gordon (Scottish Office), and Trevor Woolley (Cabinet Office).

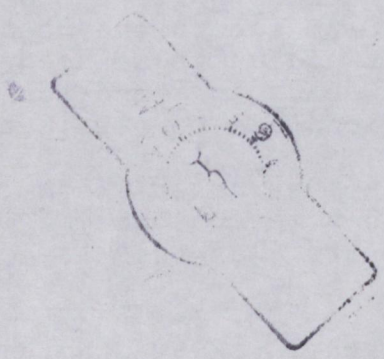
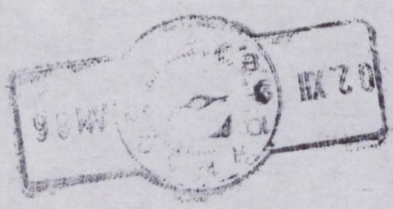
Nicola Parkins

NICOLA PARKINS
Private Secretary

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86
BOARD OF TRADE
BICENTENARY

Policy: EDUCATION P+10.





Jo K
CB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 December 1986

Legislation on Education

The Prime Minister was grateful for your Secretary of State's minute of 25 November which commented on the existing legislative framework for education.

(DAVID NORGROVE)

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

K



The Rt Hon Kenneth Baker MP
Department of Education and Science
Elizabeth House
York Road
LONDON
SW1

nbpm

CCB

2 MARSHAM STREET
LONDON SW1P 3EE
01-212 3434

My ref:

Your ref:

28 November 1986

Dear Kenneth

at flap

EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT ON PUBLIC EXPENDITURE

Thank you for your letter of 21 November enclosing the proposed draft reply to the Education Select Committee's report.

My interest is of course largely in relation to the first two recommendations of the Committee, which concern local authority current expenditure and capital expenditure. I must say that I am rather dismayed at the line you propose taking on these recommendations. I would like to see your response be a lot tougher and in particular I think the point to make is that local education authorities should manage their expenditure properly so as to be able to make the huge savings that I am sure are available for them. I would prefer to stand up to the Committee's rather weary line in this way instead of trying to present the palliative of your present draft response.

I am copying this letter to the Prime Minister, members of H Committee, to the Chief Whip and to Sir Robert Armstrong.

Tomson
Nicholas

NICHOLAS RIDLEY

Education: Policy PT10



4
PRIME MINISTER

28 November 1986

SCHOOLS: ANOTHER FRONT IN THE HOLY WAR

The enclosed is a fascinating article on the problems facing Cardinal Vaughan Memorial School, a voluntary aided Roman Catholic School in the diocese of Westminster. It is an outstanding school, comparable to the London Oratory: it has the best results of any secondary school in ILEA.

Two points struck me in particular about the article:-

(a) the way in which educational planners are systematically using the curriculum, especially the demand for greater choice of 'A' level, as a way of undermining good traditional but small schools (even though the parents prefer small schools offering a limited range of 'A' levels).

(b) the fact that once again, diocesan education officials are indistinguishable from LEA planners, even though their views may be totally opposed by the parents.

It is important, not least to protect the limited choice available to aspiring but not well-off Roman Catholic families, that the Secretary of State be encouraged to prevent the Church making these changes.

B.G.

BRIAN GRIFFITHS

Unfortunately — and I suspect the reason the committee was reluctant to take about the safety issue — it became the main plank in the formidable campaign against a tunnel of any sort, mounted by the indefatigable Maureen Tomison on behalf of James Sherwood and his Sea Containers empire which owns Sealink Ferries. Mr Sherwood's position is distinctly ambivalent. Having had his own ill-thought-out tunnel scheme rejected, he seems torn between getting it reinstated, rubbishing EuroTunnel and keeping his ferries in business, or trying to extract £100 million compensation from the Government on the spurious grounds of having been 'conned' into buying the privatised Sealink from BR (at, incidentally, a knock-down price) without knowing a tunnel was in the offing. Mr Sherwood may be a tycoon in the world of business but he did not cut a very impressive figure in the witness-box at Westminster Hall and — to the ill-concealed satisfaction of lawyers and politicians alike — was properly floored when Peter Snape pointed out that the tunnel was mentioned in the Government's sale prospectus — albeit in the small print which astute businessmen should either read or not moan about afterwards.

Whatever Miss Tomison's motives may have been and however regrettable the failure of the committee as a whole (one member, Nick Raynsford, intends publishing a separate finding), she has forced into the open anxieties hitherto confined to highly technical but disturbing articles in professional journals such as the *New Civil Engineer* and *Tunnels and Tunnelling*; notably one in the latter by Dr H. S. Eisner, a former director of the Health and Safety Executive specialising in explosions and flames, as well as a separate report by Robert Blackburn, an internationally recognised expert on fire hazards.

It would be wrong for a non-expert to seek to evaluate these warnings or go beyond saying there is a case to be answered which even a common-sense appraisal of the potential risks dictates. The official view is that safety of construction and operation will be the responsibility of a high-level Anglo-French committee with powers of direction. But this begs the question. It will not be set up until after the Bill becomes law and will work within the parameters determined by the Act for the company's operations. These must include the non-segregation of passengers and vehicles as an essential part of EuroTunnel's financial calculations and its contract with the two governments. It is difficult to conceive of the safety committee being able to reverse that, whatever reservations they may develop, once the die is cast or being able to impose major structural changes in the tunnel itself, such as air-locking on the escape ways. Fortunately, the Lords still have the opportunity to compel the answers the Commons have failed to ask.

CATHOLIC CLASS WAR

Piers Paul Read on the battle to save a church school which has turned into a clash of ideologies

THERE is a struggle going on in the Roman Catholic diocese of Westminster over a small comprehensive school, which at first sight seems no more than the kind of fracas that always arises when a popular school is threatened, but which on closer inspection raises issues of a more fundamental kind. I myself became involved in the controversy, which has led to un-Christian rage in priests as well as parents, because my eldest son went to the school in question until he left by choice at the age of 16 for a taste of public school life.

The story starts with the Education Act of 1944 which drew the many church schools into the 'voluntary-aided' sector of the state system. That process in itself was a trial for the political establishment: according to Correlli Barnett in *The Audit of War*, the politicians and civil servants were distracted from considering the real needs of British education by 'skull-emptying sessions with gentlemen of the cloth (of various persuasions) on the topic of how they could continue to run a large proportion of the nation's schooling thanks to the taxpayer's subsidy'. The gentlemen of the cloth won the day, and as a result several independent Church of England and Roman Catholic schools applied for voluntary-aided status.

Just such a school was the Cardinal Vaughan Memorial School, built on Addison Road in Kensington to commemorate Cardinal Manning's successor as Archbishop of Westminster. It opened in 1914 and flourished throughout the 1920s and 1930s to provide, for example, a VC in the second world war, a gold medallist in the Olympic games, two of Cardinal Hume's auxiliary bishops and last year's Lord Mayor of London.

In 1977, along with most other Roman Catholic voluntary-aided schools, it changed from a grammar school into a comprehensive. The headmaster who supervised this transition, Anthony Pellegrini, while he accepted the principle of comprehensive education, was determined to retain the ethos of the school which had existed since its foundation. Whatever their background or their ability, the boys were expected to work hard and behave

well and, where a choice had to be made between applicants, a preference was shown for those whose parents appeared to subscribe to this ethos, and for boys who would be likely to benefit from what the school had to offer.

As a result of this policy not just the ethos but the standards of the school survived both the change to a comprehensive system and the libertarian fashions in secular state education. A high proportion of the pupils went on to university: some won scholarships to colleges at Oxford and Cambridge. When the ILEA research and statistics department drew up a table of O-level and CSE examination results, most of the schools at the top of the list were voluntary-aided church schools, and top of the whole league by a large margin was Cardinal Vaughan Memorial School.

Nothing would have disturbed the progress of this successful school had it not been for the decline in the birth-rate among Catholics, which, despite the teaching of the Catholic Church that contraception is sinful, has kept pace with the decline among the population at large. As a result there are now empty places in Catholic schools in inner London, and while some like Cardinal Vaughan are so popular that they attract more than two applicants for every place they have to offer, others have difficulty in filling theirs.

Thus the need arose to reduce the number of places, and a plan was drawn up by the diocese to close some schools and merge others. It was turned down by the Secretary of State. New schemes were therefore prepared, some of which proposed the closing of the less popular schools, but the solution espoused by the Diocesan Education Service was that of a sixth-form college on the site of another Catholic comprehensive school in North Kensington named after Cardinal Vaughan's predecessor, Cardinal Manning.

Cardinal Manning, of which I am a governor, is a school of a very different kind to Cardinal Vaughan. Built in Saint Charles's Square (named after Saint Charles Borromeo, the patron of Cardinal Manning's mission to the Catholic poor), it was formerly a secondary modern school

and had no metropolitan reputation to draw pupils other than from its catchment area North Kensington. This suffered from many of the more grievous social problems familiar in the inner city. Among its pupils were not only the descendants of the Irish poor whom Manning had tried to help in his time, but also the sons of more recent immigrants from Portugal, Nigeria, Spain and the West Indies. Some were only notionally Catholic: only a third of the pupils were thought to go to church on a Sunday. Others came from families with only a single parent: the Church's proscription of divorce or sexual relations outside marriage had as little statistical effect as its prohibition on contraception.

Such a body of children would seem to present a clear challenge to the Catholic Church, yet it was a misfortune that this very school fell victim to some of the confused attitudes towards education which became entrenched in the secular sector. The traditional Catholic view, which had prevailed at Cardinal Vaughan, that whatever his circumstances a boy is responsible for his own moral conduct, gave way to a more indulgent approach where unruly behaviour was explained and excused by collective historical misfortunes. There were occasions when the governors insisted upon keeping pupils in the school whom the headmaster wished to expel. The result was a decline in the teachers' authority and an increase in indiscipline not just inside the school but outside in the streets where bands of youths from Cardinal Manning, like those from Holland Park, would roam the streets in the afternoon making mass attacks on pupils from other schools — particularly Cardinal Vaughan.

Only now has a new and more stringent régime started a reversal in the fortunes of Cardinal Manning; but because of the falling birth-rate its present improvement cannot make up for its past unpopularity. The expression of parental preference has set into an inexorable decline. If the diocese was to reduce the number of places available by closing the least popular schools, then Cardinal Manning, together with Saint Edmund's School in Hammersmith and Saint George's in Maida Vale, would go; but, particularly in the case of Cardinal Manning, this would deprive what Cardinal Hume calls the 'disadvantaged' children of inner London of a local Catholic school. The mission started by Cardinal Manning would seem to have been abandoned.

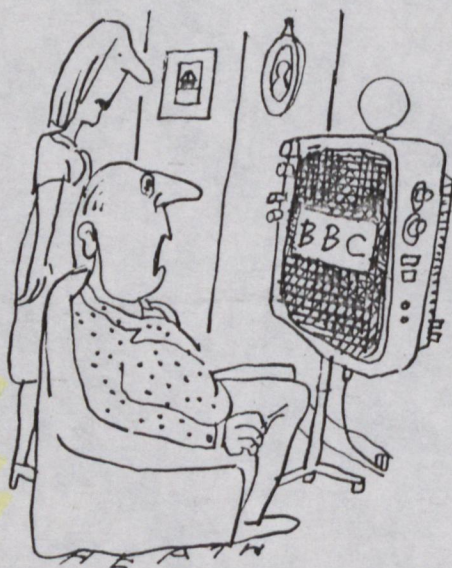
The diocese was also under pressure from educational planners to provide a greater choice at A-level than could be provided by a small comprehensive like Cardinal Vaughan. Although the parents of the children there preferred a small school offering a limited range of A-levels because they had seen what had happened to the huge comprehensives in the county sector, it was feared that the same county

sector, in this case the godless ILEA, would open tertiary colleges which might lure away Catholic adolescents at a vulnerable moment in their development. The diocese therefore came up with the solution which seemed to combine compassion with the latest trend in education — a sixth-form college on the site of Cardinal Manning with Cardinal Vaughan as the 11-16-year-old neighbourhood school for North Kensington.

The parents and teachers of Cardinal Vaughan, and another flourishing school in Fulham, the London Oratory, were appalled. To reduce their proud institutions to mere parish schools would destroy them, and transpose the unsolved problems which had bedevilled schools such as Cardinal Manning from one set of buildings to another. They also disliked the idea of sixth-form colleges, which in Harrow was deemed a disastrous failure.

The priests at Brompton Oratory refused to allow their school to take part in the reorganisation and the governors of Cardinal Vaughan followed suit. They accepted the judgment of the headmaster, Mr Pellegrini, the architect of the school's success, that without a sixth form it would be impossible to attract teachers of a high calibre; and that the particular team he had assembled around him would be unable to provide the kind of education that Cardinal Manning specialised in.

What no one had realised, however, was that the very success of Cardinal Vaughan had made it many enemies — not just among the socialist politicians of the ILEA to whose secular ideology the flourishing church schools were a living rebuke, but also among the very priests and teachers who had run the less popular schools in the area. They accused the successful schools of depriving the less popular of potentially clever pupils by disguising the intelligent 'band one' boys as the average 'band two' to boost their ratings in the examination result league.



'I had no idea they played the Soviet national anthem at close-down.'

They also condemned the admission of pupils by the popular schools from outside the inner-London area. Although this practice had been allowed and even encouraged as an exercise of parents' liberty of choice, it infuriated local parish priests because it denied places to their parishioners in the popular schools. They therefore disparaged it as un-Christian. Every Catholic school, it was said, should take its fair share of delinquents — even if this meant that the standards of every Catholic school was reduced to that of the worst.

Perhaps their greatest epithet of abuse, however, was that Cardinal Vaughan was 'middle-class'. Indifferent to the claim that the middle classes too have a right to state education, they pointed to the odd son of a solicitor or a policeman as if to prove that they had somehow stolen places which rightfully belonged to the disadvantaged children from the ethnic minorities. Often influenced by the facile notions of liberation theology, they brought the political passions of South America to bear on the educational controversies of central London. The headmaster, Pellegrini, whose passion for music had led to the formation of a fine *schola*, trained his pupils to sing hymns such as 'Faith of our Fathers' and 'Hail, Queen of Heaven' which are rarely heard in Catholic churches today; and though the boys in the school were encouraged by their teachers to perform temporal works of mercy such as visiting the old and the sick, the spirit of religion emanating from the school was more mystical and less socialistic than is fashionable today in the Church at large.

These priests had an ally in the director of the Diocesan Educational Service, Kathleen O'Gorman. A woman of undoubted piety who at public meetings gives the same impression of *distrain* sincerity as Shirley Williams, she appears to believe that she in particular, if not she alone, is guided by the Holy Spirit. Her vision, however, mixes the sacred with the secular: it is difficult to know why the Holy Spirit should prefer a wider choice in A-levels in the sixth form to the more limited but conventional schooling offered by a school like Cardinal Vaughan. Mrs O'Gorman, however, has no doubt whatsoever that God is on her side: she believes that those who oppose her only do so to ensure 'that sectional interests might be safeguarded at the expense of the community', and have a 'distorted view of what it is to be a Christian today'.

Cardinal Hume himself has come down in favour of Mrs O'Gorman's reorganisation, yet his own position is anomalous because before he was enthroned as Archbishop of Westminster he had been a monk, a teacher, a house-master and then Abbot of Ampleforth, which runs one of the largest and most successful Catholic public schools. There is no talk there of educating the disadvantaged sons of Ryedale farm labourers. Cardinal Hume

received and dispensed just the kind of privileged education which he now condemns as immoral.

In the last resort the choice lies between his compassionate but optimistic vision and the pragmatic scepticism of anxious parents and teachers who feel that it is reckless to gamble with established schools which have built up their excellence over

many years. It is an issue which will be decided by the Secretary of State, Mr Baker, who, however reluctant he may be to turn down a second proposal by the diocese of Westminster, cannot fail to see in schools like Cardinal Vaughan and the London Oratory successful models for the colleges that he himself intends to found in the inner cities.

HUNT THE BUDGIE

Napier Miles finds an odd connection between racing and bird-fancying

LAST weekend, I found myself at the World Budgerigar Championships, held at Doncaster race course. My guide was James Hunt, world motor racing champion for the 1976 season and of late an ardent breeder of budgerigars: greens, grey-greens, sky blues, dominant piers and the like. In return for carrying my share of his nine chosen birds in and out of the hall he would transport me from Flood Street to Doncaster and back again. We put our budgies under wraps in the Estate boot and drove north. As we drove, James explained budgies, their infinite variety and perfections of type.

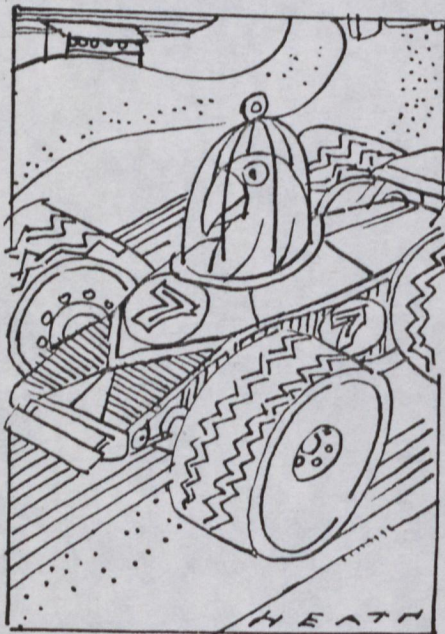
Looking straight at a show budgie one should not be able to see the eyes; broadness of head is commendable, as is a steep lift to the plumage, a long straight back, sleek body and proud tail. The spots under the neck merit special attention. Usually there are six forming a broken ring but false spot feathers can emerge and these have to be tweezered out. Another area of concern is the head plumage, which can develop waxy quill feathers and blood specks.

Budgies moult in October. Doncaster, the most prestigious show of them all, is held annually in early November. It is therefore a race to bring them back into good condition. Ten days before James had visited a couple of top breeders and found their birds in a shocking state. He doubted that they would be ready in time. I commiserated with him on their behalf.

We then moved on to the question of breeding. James only shows birds he has bred himself. His prize accolade so far is second place in the Beginner Breeder class at Blackpool, almost as big an event as the one we were heading for. Pairing takes place in late November, so he was

absorbed with the permutations. After this season, his second in the budgie world, he intends to put it all on a computer programmed by an acquaintance in the blood stock industry.

'It's like breeding racehorses, only cheaper,' he explained; 'a good budgie can



sell for a thousand pounds, more to a German or Swede, not that I pay anything like that. The most so far is a hundred pounds.' James, like many self-made millionaires, is prouder of his caution about money than its possession. If he gets his pairings right this year, the basis will be laid for a first-class stud. Cock it up and he's back at square one.

The action takes place in his back garden, an acre and a half just off Wimble-

don Common. As he travels heavily for the BBC during the motor racing season he has a curator, the correct word, of budgerigars. Indoor and outdoor flight pens give his birds the freedom and communion which he believes are essential to their development. Not all breeders agree, holding that show budgies are as far removed from their cousins who flock in the Australian outback as those dying generations are to Yeat's artifice of hammered gold and gold enamelling. It was not a simile I tried on James as I wanted him to concentrate on the road.

'Under your feet are some supplies for the journey.' I had already heard the odd crackle and rustle. Sure enough, there were packets of crisps and chocolate, all now washed in a litre of orange juice that had spilt from its plastic bottle and informed the road map. I apologised for my ineptness, but there was worse to come. Throughout the journey, which was nearing completion in the Doncaster one-way system, James had fretted about his feather-pulling tweezers, hoping they were buried deep in a trouser pocket. This proved not to be the case. They had fallen between his seat and the doings of the German hydraulic system. His hand could not reach them with ease. I volunteered mine as being slimmer. He warned me that if the tweezers fell any further they would be unsalvageable, lost forever. In went my hand, down went the tweezers. 'That's very naughty, Napier. I told you to be careful and what do you do? Charge at it without any thought.' So my first task on reaching the Danum Hotel, Doncaster, was to ask the lady receptionist — still agog at matching her booking name of J.S.W. Hunt to the reality — for tweezers without which our budgies might as well stay in the boot. Thank God for Allens the all-night chemist and their range of broad-, slant-, and curved-headed tweezers at £1.29p a shot.

By the time I returned, James and the budgies were in my bathroom — smaller than his, so less problematic if one escaped. Two needed their heads washed free of quill wax and blood specks. A sky-blue cock had developed an extra spot feather. The tweezers were presented and found adequate. Deftly he probed to the base of the feather and pulled. Out it came and we both felt relieved. Washed and petted, the budgies, each in a black-enamelled portable showcase, looked their full importance. It was time for us to take them to the show where they would spend the night, be judged in the morning and thereafter open to public view.

A night on the town in Doncaster. In our second pub there was a fight. Three girls, about 18, fell to the ground, two tugging at hair while their friend inevitably paid the higher price for interfering. No one else made the same mistake. A pause for breath and acrimony, then back into the routine. The moment they decided that no

CCBG



QUEEN ANNE'S GATE LONDON SW1H 9AT

27 November 1986

N Bm

Dear Kenneth,

EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT ON
PUBLIC EXPENDITURE

Thank you for copying to me your letter of 21 November to Willie Whitelaw, seeking approval of your draft reply to the Education Select Committee's Report on Public Expenditure.

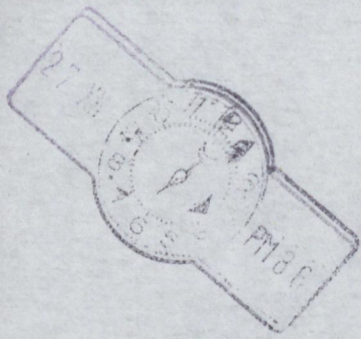
I think it would be helpful if you could state explicitly in paragraph 3 of the draft that one of the matters to be taken into account in decisions about distribution between services of total planned expenditure is the extent to which the plans conform to our own policy commitments and priorities. This is surely just as important, if not more so, than local authority budgets and demographic trends and deserves more than to be regarded as just another "factor". I suggest, therefore, that the penultimate sentence of paragraph 3 should end as follows:

"subject to review in the light of demographic trends,
local authority budgets and other relevant factors
including the Government's commitments and priorities."

I am copying this letter to the Prime Minister, the Lord President, other members of H Committee and Sir Robert Armstrong.

Yours
Douglas

The Rt Hon Kenneth Baker, M.P.



EDUCATION
POLICY
PTTD





26. ix '86.

10 DOWNING STREET

Prime Minister. 2

Following last week's request to reexamine the curriculum of 'A' levels, I thought you might be interested in the broadening of A levels through AS level exams - which has just been announced by the DES.

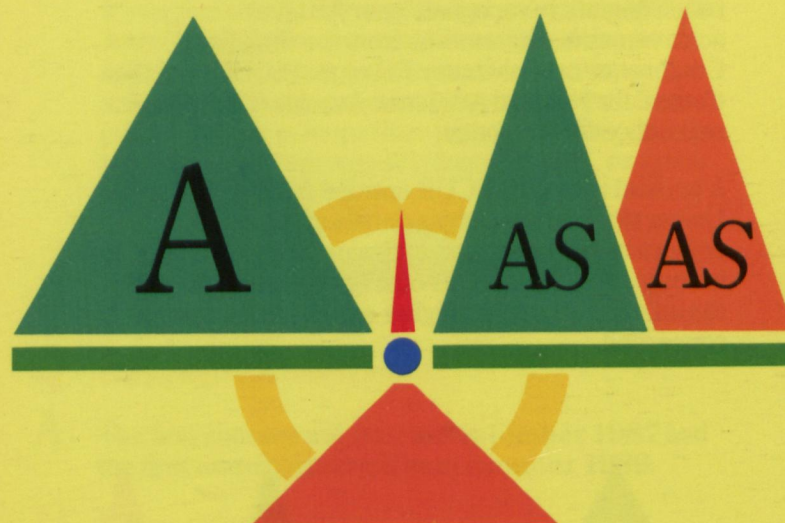
I cannot
myself see what
is so bad about
this.

BC

DES
26/11

M.H.

Broadening Your A Level Studies



Advanced Supplementary (AS) Levels

A guide for students and parents

AS levels – your questions answered

AS levels are new courses designed to enable you to study more of the subjects you enjoy up to A level standard, and to help keep your higher education and career options open. Universities, other higher education institutions and employers recognise the value of more broadly based sixth form studies.

If you are thinking of doing science A levels, why not take a humanities or modern language AS level? A modern language can be a valuable asset in many walks of life.

If you plan to opt for humanities or modern language A levels, why not continue with mathematics or science and technology? Remember that these subjects can be of particular value when you look for a job: for instance, more than 40 per cent of modern languages graduates go into financial work, or sales, marketing and buying.

Q When will AS levels start?

A The first courses will start in **September 1987** and the first examinations will be in **summer 1989**.

Q Who will take them?

A AS levels are designed for full-time A level students, but anyone may take them.

Q How long will an AS level take?

A They are primarily two-year courses. Your school or college may allow you to take them after one year – you should check with them. Remember that the first examinations will be in **1989**.

Q How much studying will be involved?

A The courses will take about half the teaching and studying time of an A level, so if you take two AS levels instead of one A level, the amount of studying should be about the same.

AS levels – your questions answered

Q What about standards and grading?

A AS levels will require the same standard of work as A levels. AS level passes will be graded A–E, in the same way as A levels.

Q Will universities and other higher education institutions recognise AS levels?

A Yes. Universities and other higher education institutions have welcomed the introduction of AS levels and will adapt their entrance and course requirements to recognise your AS level achievements. Statements from the Standing Conference on University Entrance (SCUE) and the Council for National Academic Awards (CNAA) are reproduced in this guide.

A booklet issued by SCUE entitled *AS Levels and University Entrance* gives details of the current university arrangements for recognising AS levels. If in doubt, check particular course requirements with the university or other higher education institution concerned.



AS levels – your questions answered

Q Will I be penalised if my school does not offer the AS level(s) of my choice?

A No. Universities and other higher education institutions have said that an applicant for a degree course will not be disadvantaged if his or her school or college does not offer AS levels.

Q What value will employers place on AS levels if I go to work direct from school or college?

A This guide includes a list of major employers and professional bodies who have already welcomed AS levels and have said they will be happy to consider potential employees offering combinations of A and AS levels. If an employer you have in mind is not included on this list, check with them.

Q How might I mix A and AS levels?

A If you are thinking of taking three A levels, why not choose two A levels and two AS levels?

If you are thinking of two A levels, you might consider doing one A level and two AS levels.

If you cannot decide between two and three A levels, why not choose two A levels and one AS level?

Before you make up your mind about AS levels

– find out what subjects your school or college plans to offer at AS level, and possible subject combinations. A list of available AS level subjects is included in this guide.

– think carefully about what subject combinations suit you.

– discuss your plans, particularly any plans for higher education, with school or college staff and your careers officer.

Universities and other higher education institutions

Statement from the Standing Conference on University Entrance

'The Standing Conference on University Entrance reaffirms the universities' support for Advanced Supplementary (AS) level examinations. Universities strongly believe in the importance of broadening the curriculum and intend to incorporate AS levels into their admissions procedures. For most courses a combination of two A levels and two AS levels will be regarded as equivalent to three A levels.'

Statement from the Council for National Academic Awards

'The Council for National Academic Awards welcomes the introduction of Advanced Supplementary (AS) level examinations, and will accept two AS level passes as the equivalent of an A level pass for entry to first degree and DipHE courses.'

'While for many subjects specific A level passes will still be needed to satisfy course requirements, the CNAA's normal requirement of two A level passes will now also be fulfilled if the student has four AS level passes, or two AS level passes and one A level pass.'

Statement from the Civil Service Commission

'The Civil Service Commission will regard two passes at AS level as equivalent to one GCE A level pass for recruitment to the Executive Officer grade of the Home Civil Service and to the corresponding grade – grade 9 – of the Diplomatic Service.'

'Government Departments which undertake local recruitment to the more junior grades in the Civil Service already accept an A level as an alternative to a GCE O level or its equivalent for the purpose of satisfying the specified O level qualification requirements. In future they will accept an AS level for this purpose also.'

Support from employers and professional bodies

'We welcome the introduction of Advanced Supplementary (AS) levels as a means of broadening students' education. Where we recruit employees with A levels we will welcome applications from candidates offering combinations of A and AS levels.'

Abbey National Building Society
ASDA Stores
Allied Lyons
Argyll Group
Babcock International
Barclays Bank
Bass
B.A.T. Industries
BBC
BICC
Boots Company
British Aerospace
British Gas
British Home Stores
British Petroleum
British Steel Corporation
British Telecom
BTR
Burmah Oil
Cadbury Schweppes
Commercial Union Assurance
Conoco UK
Courtaulds
Coutts & Co.
Dalgety
Electricity Council
Esso
Ford Motor Company
Gallaher Tobacco (UK)
General Electric Company
Guest Keen and Nettlefolds
Guinness
Halifax Building Society
Harrisons and Crosfield
IBM UK
Imperial Chemical Industries

Inchcape
Independent Broadcasting Authority
Leeds Permanent Building Society
Legal and General Group
Littlewoods Organisation
Lloyds Bank
Lucas Industries
Metal Box
Metropolitan Police
Midland Bank
National Freight Consortium
National Westminster Bank
Nationwide Building Society
Norwich Union
Pearl Assurance
Peninsular and Oriental Steam Navigation Company
Philips Electronics
Pilkington Brothers
Plessey
Post Office
Prudential Corporation
Rank Organisation
Reckitt and Colman
Reed International
Rio Tinto Zinc Corporation
Rolls-Royce
Rothmans International
Sainsbury's
Shell UK
South Yorkshire Police
STC
Tarmac
Tate and Lyle
Tesco
Texaco
Thorn EMI
TI Group
Trust House Forte
Trustee Savings Bank
Turner and Newall
Unilever UK
United Biscuits
Vauxhall Motors
Vickers
Whitbread
W H Smith
Wimpey
Woolwich Equitable Building Society

'We welcome the introduction of Advanced Supplementary (AS) levels as a means of broadening students' education.'

Association of Business and Administrative Computing
Association of Computer Professionals
British Institute of Management
Chartered Association of Certified Accountants
Chartered Building Society Institute
Chartered Institute of Building
Chartered Insurance Institute
Confederation of Tourism, Hotel and Catering Management
Construction Surveyors' Institute
Engineering Council
Engineering Employers' Federation
Faculty of Architects and Surveyors
Hotel, Catering and Institutional Management Association
Information Technology Skills Agency
Institute of Bankers
Institute of Chartered Secretaries and Administrators
Institute of Data Processing Management
Institute of Health Services Management
Institute of Legal Executives
Institute of Personnel Management
Library Association
Royal College of Nursing
Royal Institute of Chartered Surveyors
UK Central Council for Nursing, Midwifery and Health Visiting

These are the companies and professional bodies which have specifically welcomed AS levels at the time of going to press. More are expected to do so.

Provisional list of subjects available at AS level

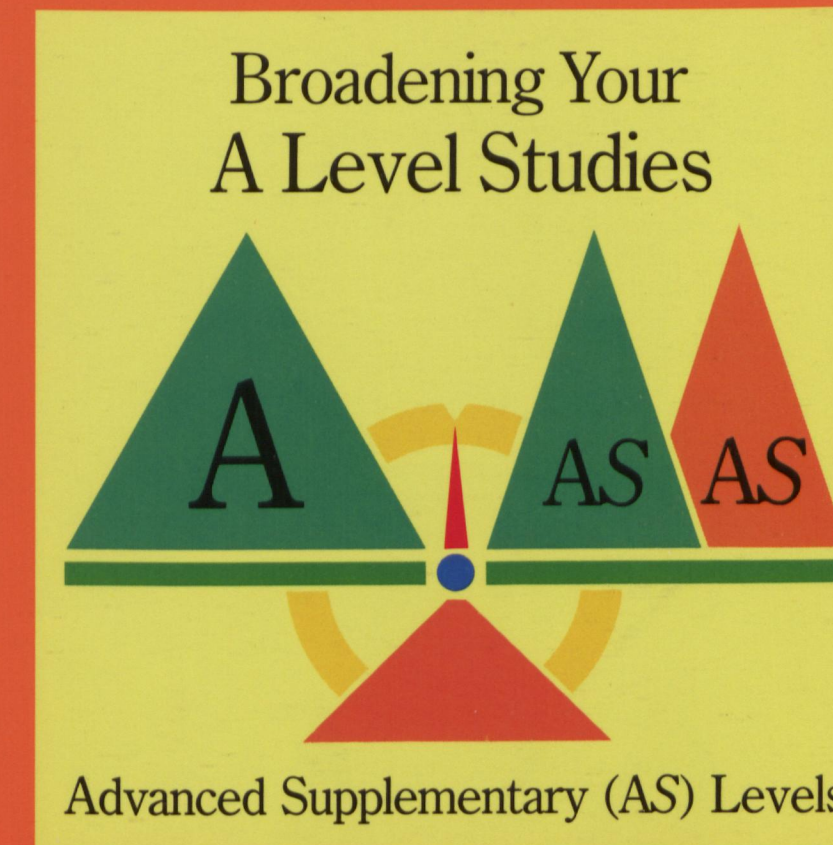
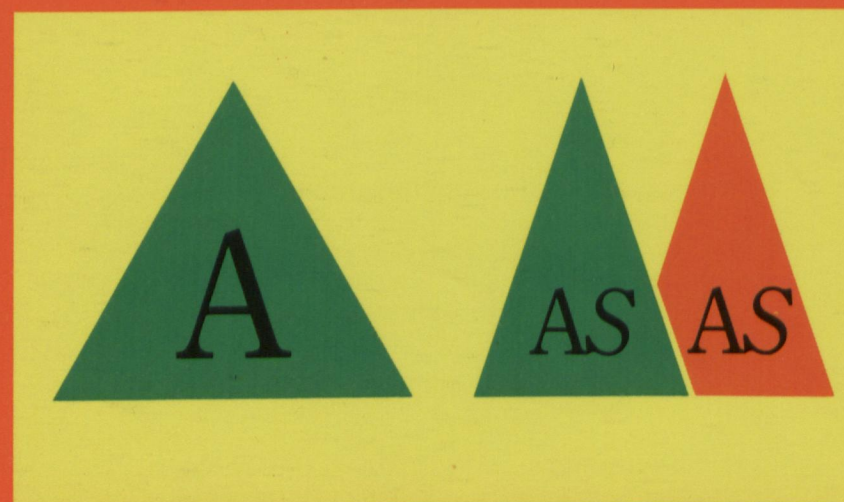
All GCE Examination Boards plan to offer the AS level subjects regarded as priorities by higher education.

Design and Technology **English** **Mathematics** **Modern Languages**

The Government has provided special funding for the development of syllabuses in these subjects as well as in General Studies and Welsh.

This is the complete list of planned AS level subjects, to be offered by some or all of the Boards.

Accounting	Geography	Philosophy
Art, Design	Geology	Physics
Biology	History	Political Studies
Chemistry	History of Science	Psychology
Classics	Home Economics	Religious Studies
Computing	Human Biology	Science
Design and Technology	Industrial Studies	Science and Society
Economics	Information Technology	Sociology
Electronics	Law	Statistics
English	Mathematics	Welsh
French	Music	
General Studies	Nutrition	



A guide for students and parents

A welcome for AS levels

From the Secretary of State for Education and Science

'For too long the education of A level students has been constrained because of specialisation in a narrow range of subjects. AS levels give us a tremendous opportunity to broaden the education of our brightest 17- and 18-year-olds, whilst maintaining the highest standards. I regard these examinations as an important step in checking the early specialisation in our examination system.'

'This new examination has considerable support from higher education, employers and professional bodies. I hope that many A level students will take a mix of A and AS levels.'

Kenneth Baker

'The universities are firmly committed to the concept of broadening the sixth form curriculum and see the introduction of AS levels as a significant stage in this development. They have incorporated the examination into their entrance requirements and are actively participating, through the Standing Conference on University Entrance, in the production of the new syllabuses that will be required. They look forward to receiving the first applications from students offering AS levels as part of their GCE programme.'

Professor S.B. Saul
Vice-Chancellor, University of York and
Chairman of the Standing Conference
on University Entrance

'The introduction of AS levels is a welcome step towards preserving a broad education among those intending to specialise at a later stage.'

Sir Francis Tombs
Chairman, Engineering Council

'Entry to universities is restricted at present not by too high, but by too narrow, a judgement of academic potential. This is bad for students, who specialise too soon, and for the nation, because access to and output from universities is so narrowly limited. AS levels will help solve both these problems, and we in the University of London welcome their introduction.'

Lord Flowers
Vice-Chancellor, University of London

'We very much welcome AS levels and will certainly give them our wholehearted support. May I wish you every success in implementing this potentially very valuable development in the education system.'

Sir Edwin Nixon
Chairman, IBM United Kingdom Ltd

'I do hope that the new AS levels will be seen as a real opportunity to maintain a broader educational programme of study. I am sure that admissions tutors in polytechnics will be keen to receive applications from students with AS levels as well as A levels.'

Peter Toyne
Rector, Liverpool Polytechnic

● Baker backs broader based examinations

By David Walker, Education Correspondent

AN EXAMINATION for 17 and 18-year-olds which it is hoped will break the "straitjacket" of premature specialization and give sixth-formers a width of education comparable to their French, German and American counterparts, has been given Government support.

Mr Baker, Education Secretary, announced that he is to circulate 400,000 copies of a guide to the Advanced Supplementary examination (AS Level) which will be set by examining boards for the first time in the summer of 1989.

He said "We all know that the current pattern of Advanced Level studies results in too narrow a curriculum.

"Early specialization limits higher education and employment options. It reinforced that unhappy but enduring feature of our society, the gulf between the arts and the science."

The Government envisages sixth-formers continuing to take A-Levels but also to take AS Level examinations outside their chosen areas: for example, a pupil taking physics and mathematics options for A Level might take AS Levels in English and French; and a pupil taking English history might continue mathematics and a science subject to AS Levels.

Comparable standards

Marks for AS and A Level are to be aligned so that their standards are comparable but it is envisaged that the amount of time needed to prepare for an AS Level will be half of that needed for an A Level.

AS Levels will be roughly equivalent to half an A Level, though the examining boards will expect the same calibre of work. Courses will take half the teaching time of the A Level course which usually occupies two years; AS Levels will be taken after either one or two years of study, depending on the time available.

"My objective is that by the end of 1990, 5 per cent of institutions offering A Levels will include at least two subjects at AS Level. We would like nearly all A-Level students to be taking a mix of A and AS Levels by the end of the decade", Mr Baker said.

The take-up of the new exam will depend, however, on the willingness of schools to devote teaching effort and that will depend on how far the examination will help their pupils gain access to jobs and college jobs and college places.

University backing

At a press conference organised by the Department of Education and Science Prof. Berrick Saul, vice-chancellor of York University and chairman of the Standing Conference on University Entrance, promised that Conference on University Entrance, promised that universities would honour the new exam.

"We are firmly committed to the concept of broadening the sixth-form curriculum", he said. "Universities look forward to receiving the first applications from students offering AS Levels as part of the General Certificate of Education Programme."

For employers, Sir Francis Tombs, chairman of the Engineering Council, said that industry would find more broadly educated young people more attractive as recruits.

Endorsement for the new examination came also from the Council for National Academic Awards which validates degrees given by the polytechnics and non-university colleges.

"Broadening Your A Level Studies—a guide for students and parents" free from DES Publications Despatch Centre, Honeypot Lane, Canons Park, Stanmore, Middx HA7 1AZ.

Polytechnics will accept broader sixth-form exams

By Peter Wilby
Education Editor

A CONTINENTAL-style curriculum for English sixth-forms, involving the study of five or six different subjects instead of two or three A-levels, came a step closer yesterday with an announcement that sixth-formers will not require A-levels for entry to polytechnic degree courses from 1989.

The Council for National Academic Awards, which approves most polytechnic and college of higher education degrees, said that it would accept up to four AS-level passes as an alternative to two A-levels. AS (Advanced Supplementary) level courses, occupying half the study time of an A-level, start next year and the first exams will be taken in 1989.

Universities, in contrast, will continue to demand a minimum of two A-levels. Most courses will accept two AS-levels in place of a third A-level, but the London and Cambridge medical schools will still want three A-levels.

Launching a guide on AS-levels for students and parents yesterday, Kenneth Baker, the Education Secretary, said that he would like "nearly all A-level students" to be taking a mix of the two exams by the end of the decade.

"We all know that the current pattern of A-level studies results

in too narrow a curriculum," he said.

"It reinforces that unhappy but enduring feature of our society, the gulf between the arts and the sciences. We have tried before, and failed, to break the A-level straitjacket."

It is hoped that most students will take at least one AS-level course from an area that "contrasts" with their main A-level studies. A youngster taking A-level maths and physics, for example, might study chemistry and French in addition. A sixth-former taking A-level history and English could also study German and maths.

All the examination boards will offer courses in design/technology, English, maths and modern languages. Mr Baker said that even the smallest sixth-forms should be able to offer two of these subjects, though the universities and polytechnics had assured him that there would be no discrimination against candidates whose schools were unable to offer the new exam.

But, at yesterday's launch, some heads and teachers express-

ed fears that sixth-form staffing would not be sufficient to offer the new courses. Others were doubtful about the willingness of university admissions tutors to treat candidates with AS-levels on an equal footing with those who have the traditional three A-levels. Whatever the formal requirements, students' chances of getting to university depend on "conditional" offers, demanding specified exam grades, which are set by individual subject departments. Some tutors, particularly in science and engineering subjects, could require higher grades from candidates taking AS-levels.

The success of the new exam will also depend on its acceptability to employers and professions. The booklet for students and parents lists more than 80 major employers and 24 professional bodies which "welcome" the new exam, but the list does not include the Institute of Chartered Accountants or the Law Society.

Professor Berwick Saul, chairman of the Standing Conference on University Entrance, said that some voices in the universities had been raised against AS-levels. "But they are a minority. We shall be putting pressure on tutors to accept the new exams."

FILE DSG



SUBJECT CC MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 November 1986

Dear Shirley,

FUTURE OF THE POLYTECHNICS

The Prime Minister this afternoon held a meeting to discuss the future of the polytechnics on the basis of your Secretary of State's minute of 27 October and the note on finance attached to your letter to me of 21 November. There were present your Secretary of State, the Chancellor of the Exchequer, the Secretary of State for the Environment, Mr. Terry Heiser (Department of the Environment), Sir David Hancock and Mr. Richard Bird (Department of Education and Science), Mr. John Anson (HM Treasury), Mr. Brian Unwin (Cabinet Office) and Professor Brian Griffiths (No. 10 Policy Unit).

Your Secretary of State said that polytechnics and certain other higher education institutions now played a national role. However, in some cases they were not well managed and they were open to political pressure. His proposal was to remove those institutions from the control of local authorities and to create a grants council for them, which would include a strong business element.

The following points were made in discussion.

- (i) A grants committee would be preferable to direct management by the Department of Education and Science. There was a case for managing polytechnics and universities through a single body. However, universities were funded at a higher rate than polytechnics and the result would be pressure for higher funding for the latter.
- (ii) The CNAA would need to remain in being, though its effectiveness would need to be increased.
- (iii) It would be important to maintain a strong sense of local involvement in the polytechnics and to avoid an impression that the change meant centralisation. Much would depend on the strength of the governing bodies of the polytechnics. It might well be sensible to create a trust for each institution.

CAJ

- (iv) There was a good case for introducing a voucher system for students. Safeguards would, however, be needed to maintain the number of science and technology places, for example by controlling the courses which would be made available. Consideration of Mr. Baker's proposal need not wait for consideration of vouchers.
- (v) It might be possible to allow the polytechnics to raise funds from private markets. This would require careful thought.
- (vi) Aggregate exchequer grant would need to be reduced by the full amount of the current cost of supporting the polytechnics whose status would be changed in order to avoid altering the balance between national and local taxpayers, and capital expenditure should be treated in a similar way. The treatment of topping up payments would need to be further considered.
- (vii) A clear line would need to be drawn between those institutions remaining with local authorities and those for which the arrangements would change. It was not clear how far local authorities would be willing to finance changes in the institutions which would remain with them so that they could in their turn move out of local authority control, but in any case it would be undesirable to have frequent changes, whether from amalgamations or other reasons. One option would be to allow those institutions to change which met the criteria as on the date of the announcement, with a further review of the position after a period of years.

BC

Concluding the discussion, the Prime Minister said the meeting welcomed your Secretary of State's proposal. She invited him now to set it out in greater detail. The paper should discuss, among other things, the powers which would be exercised at the level of the polytechnics and those which would be exercised by the grants committee and the DES how far research would continue to be carried out within the polytechnics, the question of hybridity of the necessary legislation and the relationship of this proposal to the proposals which had been made for changing school education. The financial aspects would need to be considered with particular thoroughness. The paper should be prepared in consultation with the Department of the Environment and the Treasury, for discussion after Christmas. It might be reasonable to work towards publication of a White Paper in the spring. In due course, before decisions were taken, there would need to be a discussion of how all the various proposals would affect local government, namely those on school education, on polytechnics, on teachers' pay and those which had already been put into effect for more Urban Development Corporations. The Secretary of State for the Environment would be making proposals on housing reform and these would also need to be considered in that context.

I am sending copies of this letter to Robin Young
(Department of the Environment), Alex Allen (H.M.
Treasury), and Trevor Woolley (Cabinet Office).

Yours,

David .

David Norgrove

Mrs. Shirley Trundle,
Department of Education and Science.

PRIME MINISTER

Prime Minister 4

CCB9

DLW
27/11

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LEGISLATION ON EDUCATION

File on B/UP.

1. The paper on this subject which my Private Secretary sent to yours on 13 November gave a selective but still broad account with an eye to current policy issues. Since the position is so complex I believe you would find it helpful if I highlighted certain salient points at the expense of some over-simplification.

2. When the new Education Act is fully in force the education system in England and Wales will embody a balance of power which is unlike what is found on the continent of Europe. There will be a substantial focus of power at three levels: at the level of the individual institutions, at the level of the LEA, and at the centre.

3. At the institutional level:

- (1) the universities are autonomous save insofar as they depend on Government funding. But that is mainly not earmarked. The universities determine their own purposes, activities and standards.
- (2) The polytechnics and colleges, though mainly owned and financed by LEAs and subjected to external control of standards, largely determine their own activities. Direct power in the Secretary of State's hands is confined to approval of higher education courses in them.
- (3) The schools will shortly have a degree of independence from the LEA. The LEA will not automatically dominate any governing body through its appointees. Most governing bodies will have strong parent representation and contain members of the local business community.

The governing body will have a say in the curriculum, discipline, and staff appointments and some delegation, which could be substantially extended, on spending money allocated by the LEA. The head will have day to day management responsibility and the sole right to organise the delivery of the curriculum; but that curriculum must conform either to the LEA's policy or to that policy as modified by the governors.

4. The powers of governors and heads will be circumscribed by the powers of the LEA as provider, paymaster, and, except in aided schools, employer of the staff. This applies less strongly in relation to aided schools where the voluntary bodies are a considerable counterweight to the LEA. Subject to that, the LEA will continue to have great powers of management and supervision over the institutions it maintains and the staff employed there. Indeed most LEAs have not hitherto exercised these powers to the full.

5. The Secretary of State's powers in relation to the LEA-maintained sector are heavily circumscribed by the many powers which rest with LEAs, governing bodies and heads, in particular the fact that he neither provides nor owns the institutions, does not employ the staff there, does not determine the curriculum, supplies only a part of the funds and that mainly through an unhypothecated grant for all current expenditure which is made by another Secretary of State, and cannot normally exercise his limited default powers. As a result he cannot initiate changes in the pattern of schools, although he can stop them, or bring about changes in the curriculum except by indirect means, such as the use of his other powers and his influence over the independently operating examination system.

6. The Secretary of State does however have certain powers which he can use to initiate and promote change. Some of these powers are regulatory under Section 27 of the Education

Act 1980. They give him:

- (1) Control over teachers' qualifications, which enables him to control the content of initial teacher training courses.
- (2) Control over advanced further education courses which enables him to control the provision of initial teacher training courses in the public sector.
- (3) Power to require schools to be staffed with adequate numbers of suitably qualified teachers.
- (4) Power to determine the length of the school day and year.

The Education (Grants and Awards) Act 1984 enables him:

- (5) To make Education Support Grants to local authorities to initiate new activities.

The Education Act 1986:

- (6) Enables him to make specific grants to local authorities for in-service teacher training.
- (7) Enables him to make regulations about teacher appraisal.

To this list should be added the powers we are taking on teachers' pay and duties.

7. Two points strike me about this 3-tier system of powers:

- (1) Control over the curriculum and examinations is very strongly diffused; more direct control from the centre would require legislation.

- (2) If in the light of LEAs performance we wanted drastically to reduce their powers we would probably have to remove some to the centre as well as to the institutions themselves.

k.b

KB

Department of Education and Science

25 November 1986

EDUCATION: Policy: Pt 10.



LB
a prof Griffiths

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 November 1986

EDUCATION BILL

The Prime Minister has seen your Secretary of State's minute of 20 November and the draft of the proposed Education Bill.

She has two comments.

First, Clause 2 (4) states that "The Committee may, in examining a question referred to them, make such inquiries as they think fit". This would give the Committee very wide powers and would, for example, allow them to commission pay comparisons, which could cause considerable difficulty. They could, in some circumstances, commission pay studies even though they had been instructed to work within a defined cost envelope. On the other hand, if the Committee are to advise on regional variations in pay they might well need data on which to base their recommendations. The Prime Minister would be grateful if your Secretary of State could consider with the Treasury whether this is in fact likely to cause any difficulty.

Secondly, Clause 3 (6)(b) states that an order may make retrospective provision, "but not so as to require the reduction of a teacher's pay in respect of a past period". Should this Clause also refer to pension entitlement?

I am sending copies of this letter to the Private Secretaries to the members of MISC 122, Michael Saunders (Law Officers' Department) and to Sir Robert Armstrong.

DAVID NORGROVE

Rob Smith, Esq.,
Department of Education and Science.

LB



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LOX AHO
re Profh rights

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 November 1986

LEGISLATION ON EDUCATION

The Prime Minister was most grateful for the paper attached to your letter to me of 13 November which described the main features of the law governing education. She read it with care and interest.

DAVID NORGROVE

Rob Smith, Esq.,
Department of Education and Science.

ea

PRIME MINISTER¹

FUTURE OF THE POLYTECHNICS

I said in my earlier note that I thought the financial arithmetic might just about work if the polytechnics as well as schools were in future to be financed by central government. I am now less sanguine having worked through the figures again.

With schools alone being financed by central government a shortfall of £7.5 billion would be more than met by keeping £7.8 billion of non-domestic rates.

Under Mr. Baker's latest proposal, central Government would take over another £670 million of local government expenditure to be financed directly by central government.

Putting the two sets of proposals together would lead to a shortfall of £350-400 million which would have to be financed by the taxpayer to the benefit of the ratepayer.

(My earlier calculation stupidly took account only of the AEG element, not the amount which is at present being met by ratepayers, and would not in future.)

This, and the question of the effect on LEA staff, suggests that the proposals on schools and polytechnics ought not to be decided separately.

Dew

DAVID NORGROVE

24 November 1986

SLH/06

cc BLOP.

PRIME MINISTER

24 November 1986

Future of the Polytechnics

Polytechnics have been facing increasing problems. Kenneth Baker is right to propose taking them out of the hands of local government.

Many of the detailed issues raised in the papers (effect on rates, selection of institutions, legal form) are not contentious. It is important however that two issues are covered in tomorrow's discussion.

1. How Autonomous will these new institutions be?

The object of the change is to remove polytechnics from the detailed and arbitrary controls of local government. But if we are not careful, they will simply exchange one taskmaster for another, namely local authorities for the DES. Although the DES will not exercise political control, it will certainly on the basis of these proposals provide a very dirigiste framework.

Consider the following quotes

Regarding the new funding and planning body, the Polytechnics and Colleges Grant Committee (PCGC)

"The Secretary of State would issue guidance and would have defined powers of intervention which might for example, include approval of courses as at present and the ability to earmark funding for particular work of purpose and institution" (para 11).

Another example, from Annex B, is

"It (the PCGC) would be responsible for: advice to the Secretary of State on the "needs" of its sector; allocation of funds to institutions within its direct tutelage; planning of its sector; pursuit of collaboration with other bodies, notably the UGC. Other functions might be; exercise of course approval as now by the Secretary of State under the Schools and Further Education Regulations; purchase of educational provision from colleges not within their direct tutelage."

The new body, the PCGC which is to be charged within funding and planning is clearly to be modelled as a reformed University Grants Committee. In recent years however the UGC has become the vehicle for the most detailed planning of the university sector - including the courses institutions may offer, the number of students they may admit, the growth of various areas of the university - even when the market would have dictated a very different result.

Controlling costs in higher education does not necessarily entail detailed bureaucratic planning of the whole higher education sector. You run the risk that this is precisely what the proposed body, the PCGC, will degenerate into. Is there no way a PCGC can be set up involving greater enterprise and more competition between institutions?

2. Timing

The Secretary of State suggests publishing a White Paper in early 1987 to coincide with Lord Croham's report on the future of the UGC. This will not only enable people to compare the funding mechanisms for polys and universities but also the different levels of funding. As these proposals

involve the polys being structured more like universities, the contrast in funding mechanisms will almost certainly lead to a demand from the polys that they have similar treatment in terms of funding per student as universities.

If you wish to avoid demands for higher public expenditure it might be better to publish this proposal separately from the Croham Report.



BRIAN GRIFFITHS

*ABG
DRN
cc Blue*



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000
FROM THE SECRETARY OF STATE

mm

David Norgrove Esq
Private Secretary
10 Downing Street
London SW1A 2AA

21 November 1986

Dear David

FUTURE OF THE POLYTECHNICS

at trap

As requested in your letter of 3 November, I enclose, for discussion at the meeting on 25 November, a paper which considers how this proposal would affect local authority finance and the balance between ratepayers and taxpayers.

Copies of this letter and the paper go to Alex Allan at the Treasury and Robin Young at DOE.

*Yours sincerely
Shirley Trundle*

MRS S J TRUNDLE
Private Secretary

*CONFIDENTIAL CMO until 31.12.86
COVERING SECRET CMO until 31.12.86*

SECRET

CMO until 31.12.86

2

THE FUTURE OF THE POLYTECHNICS: LOCAL GOVERNMENT FINANCE

1. The Secretary of State for Education and Science set out proposals for the future of the polytechnics in his minute to the Prime Minister of 27 October. This responds to the Prime Minister's request for more detailed consideration of the effects of these proposals on local government finance and on ratepayers and taxpayers.

Present system

2. Higher education in England, outside the universities, technically "advanced further education" (AFE), is largely provided by local authorities in nearly 400 institutions, including 29 polytechnics, at a cost of £835m. There are also about 30 other colleges, directly grant-aided by DES, including 17 voluntary colleges, which are mainly concerned with teacher-training. Total planned expenditure on these colleges, including capital grant, is expected to be about £90 million in 1987-88. It is proposed that the planning and funding of these 30 colleges would be transferred to the proposed Polytechnics and Colleges Grants Committee (PCGC). This has no effect on local authority finance: it amounts to an internal transfer of expenditure between Central Government votes.

3. Because the greater part of AFE provided by local authorities is national in character, its costs are pooled across all LEAs. Each contributes in proportion to the number of AFE students for which they are responsible. Most recurrent costs, net of income from fees etc., are met from a "capped" pool. The Secretary of State, after consultation with the local authority associations, decides in advance the total size of the pool or "quantum" and those authorities responsible for AFE institutions draw from the pool in accordance with determinations made by the Secretary of State on the advice of the National Advisory Body (NAB). Pooled expenditure is relevant expenditure for RSG purposes and local authorities' GREs for AFE are set equal to their pool contributions.

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There are also other, open, pools covering debt charges on past capital expenditure and redundancy and premature retirements for former AFE staff. In addition, some authorities "top up" the pool allocations to their own institutions; the total for the institutions proposed for transfer amounted to some £39m in 1984-85. This is not covered by additional GRE and therefore appears as overspending leading to the loss of RSG. Few institutions underspent allocations (underspending was less than £3m in total, within the margin of error of the estimates).

4. New capital expenditure on AFE comes within the local authority capital control system. Authorities may incur capital expenditure within their prescribed expenditure allocation, supplemented by capital receipts. Expenditure is normally financed through borrowing.

The effects

5. The effects of the proposals can be considered as follows:

- (i) recurrent costs currently met through the capped and open pools;
- (ii) other recurrent costs, including "topping up"; and
- (iii) capital expenditure.

Recurrent costs

6. Total expenditure expected to be covered by the capped and open pools in 1987-88 amounts to £835m (£715m for the capped pool; £94m for the pool for debt charges on past capital spending; £26m for the other open pools). It is proposed to remove from local authority control up to 53 institutions responsible for 76% of AFE. Decisions have not been taken about how the AFE remaining in local authority institutions should be funded or about the small amount (some 2% of the total) of non advanced FE currently undertaken by the institutions to be transferred. A leading option is for the proposed PCGC to be given responsibility for planning and funding degree level work outside the transferred institutions (about 5% of the current total AFE) and for the remaining AFE and all the non-advanced FE to remain the responsibility of local authorities.

On this basis, the proposals might transfer from local to central government some 80% of pooled expenditure - about £670m. Since this scores as relevant expenditure for RSG, it can be said to attract grant notionally at 46.4%, a total of £310m. On this basis, the remaining £360m is contributed by the ratepayer. If we were to discount specific grant of which very little relates to AFE, the percentage met by Government grant would be 32% and the local contribution correspondingly higher. But in practice Government decisions on grant rates are made in terms of Aggregate Exchequer Grant.

8. The changes might be reflected in RSG in one of two ways:

- (a) the entire £670m would be deducted from AEG and therefore from block grant. This would involve a reduction in the rate of AEG from 46.4% to 45.1%; or
- (b) only the 46.4% of AFE expenditure notionally met through RSG would be deducted from AEG, so that the AEG percentage on remaining relevant expenditure is unchanged.

The options are broadly the same under either the existing local government finance system or the new system proposed in "Paying for Local Government".

9. Under (a) the balance between national and local taxpayers would be unchanged. The gain to the ratepayer from no longer having to contribute to the transferred institutions would be matched by the cost of the higher percentage of remaining services met from the rates. This would be so both at the national level and, in principle, for individual education authorities. In practice, however there would be some distributional consequences because, authorities which presently top up funding to their institutions would have a smaller overspending and attract more grant; and there would be a small but perceptible shift in the overall distribution of block grant in favour of LEAs generally at the expense of non-LEAs.

10. In our view it is right that the balance between burdens on national taxpayers and ratepayers should not be changed by the proposals, since there is no case for assuming that the national

taxpayers must always contribute a given percentage of local authority spending regardless of such transfers. Nevertheless, local authorities are likely to argue strongly for (b), the preservation of the existing AEG rate. But the national taxpayer would then have to meet the ratepayers' contribution (£360m) for the transferred AFE without any offset. There would be no guarantee that rates would be reduced commensurately with the addition to the national tax burden. Authorities could choose instead to take up the slack by increasing their spending on other services.

11. This analysis remains equally valid if it is assumed that the proposed PCGC is given responsibility for planning and funding all AFE, whether within transferred institutions or not. On that basis, the total pooled expenditure of £835m would be transferred from local government to central government. If option (a) above were adopted, the full £835m would be deducted from AEG; the rate of AEG would be reduced to 44.7%. Under option (b), whereby the AEG percentage rate is unchanged, only £390m, the amount met from block grant, would be deducted from AEG. The national taxpayer would then have to find without any offset the £445m currently contributed by the ratepayer.

12. If these proposals formed part of a wider package which redistributed the present responsibilities of education authorities, there would be even less cause to accept the argument about the AEG percentage. Fundamental changes involving increased central government responsibility for funding education would create the presumption that local government would assume much greater responsibility for financing its own remaining spending.

Other recurrent costs

13. There are potentially two main issues - topping up and the cost of the PCGC itself. Topping up payments, which exceed the amounts the NAB now calculates are necessary for institutions, would have to be eliminated. But some institutions will need a little time to adjust to the new regime and a small measure of transitional support, financed by the Exchequer may be required - perhaps £20m in the first year, phased out over say 3 years. In the DES view it would not be equitable to finance this element

by deduction from AEG since we have never taken account of it in expenditure plans for local government and almost half is accounted for by ILEA, which receives no block grant. On the PCGC the costs of running the NAB, about £1.5m, are pooled by local authorities. In our view the transfer of the whole of the amount to central government could not be justified. There would therefore be a small cost involved in the establishment of the PCGC, of the order of £1m-£2m. There may also be some other small transitional costs associated with the development of management systems etc in the transferred institutions.

Capital

14. Local authority spending on AFE capital building and major equipment on the transferred institutions is currently about £50m a year. The local authority system of financing capital largely through borrowing would not be appropriate for directly-funded institutions. It is envisaged that, as with the universities and direct grant colleges now, transferred institutions would receive an annual grant to cover capital spending. Assuming capital expenditure at about present levels, the cost of the capital grants would be offset to the extent that LEA capital expenditure provision was reduced by the element now attributable to AFE. There may, however, be a small increase in overall expenditure, since at present local authorities are able to finance a part of their AFE capital expenditure from accumulated and in-year capital receipts. To the extent that a proportion of those capital receipts are not attributable to AFE, and could not be offset by a reduced capital allocation, they would remain available to finance other local authority capital expenditure. Capital expenditure in AFE financed from capital receipts is estimated to be about £5m in 1986-87.

15. It is proposed to transfer the land and buildings from the LEAs to the new sector without compensation, as happened with local authority hospitals on the creation of the NHS. It would not be reasonable, therefore, to leave responsibility for servicing the historic debt relating to the transferred estate with local authorities. The figures in paragraphs 6-10 above assume the debt transfers with the institutions.

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Conclusion

CMO until 31.12.86

16. Provided AEG is reduced by the full cost of that part of AFE to be transferred out of local government, there would be no significant shift in the balance of costs between the ratepayer and taxpayer as a result of the proposals. There would be limited additional costs to the Exchequer, principally as a result of the phasing out of topping-up (paragraph 13) but for the most part these would be transitional. Against this, the proposals would secure a more effective system of higher education, giving better value for money, and would allow Central Government, through the PCGC to exercise a firmer grip on expenditure than is possible under the present local authority/NAB arrangements.

DES

November 1986

CMO until 31.12.86

SECRET

PRIME MINISTERFUTURE OF THE POLYTECHNICS

Your group on education reform is to meet on ^{Wednesday} ~~Tuesday~~ to discuss the future of the polytechnics. There are two papers: a paper on the general proposal and a note on financial aspects.

Mr. Baker's proposal is that the polytechnics and some of the mainly higher education colleges should be transferred from local government and funded directly through a grants committee. These institutions cover about three-quarters of Advanced Further Education. Mr. Baker's preferred option on finance is that Aggregate Exchequer Grant should be reduced by an amount equal to the cost of these institutions, so the balance between national and local taxpayers would be unchanged. There would be some transitional costs.

The main questions for discussion are:

- i) is the change justified in educational terms;
- ii) does the financing make sense;
- iii) how would the proposal fit with the broader educational reforms for schools and NAFE
- iv) when should the announcement be made?

EDUCATIONAL ASPECTS

Mr. Baker argues that the polytechnics in particular are now more national than local institutions, that local authority legislation irks them and that central control would allow them to direct their attention more closely to national priorities. He says that many polytechnic directors themselves are asking to be taken out of the hands of local government. On the other hand, he believes the proposal to be extremely sensitive, and that it could be jeopardised by premature disclosure. I imagine you will recognise the case he makes in educational terms, but against this background it

would be worth testing the arguments he would use.

FINANCE

The Chief Secretary and Chancellor will no doubt want to speak to this. The broad shape of the transfer from local government to central government seems to make sense. But a major upheaval of this kind is always more expensive than expected. The Treasury needs to study the expenditure implications with the greatest care.

BROADER EDUCATION REFORMS

The removal of polytechnics from local government with some of the powers going to the central government and some (implicitly) to polytechnics clearly fits well with the philosophy of the reforms for schools. But:

i) what is the effect on staff at present employed in LEAs: with this proposal it would be even more difficult to find a role for them once they have lost direct responsibility for schools;

ii) Mr. Baker's proposal on polytechnics would reduce AEG by £835 million; on the very crude figures with which we have been working, the Chancellor's proposal for withdrawing grant and non-domestic rates to pay for schools would still work even if AFE had also to be financed in the same way, to within about £100 million; but this needs to be thought through by those with access to more detailed figures.

*As this
see my
further note,
below.*

TIMETABLE

Mr. Baker wishes to consult colleagues before Christmas about his proposal and then to announce the Government's intentions, possibly in a White Paper, early in 1987. Will this not risk stoking up local authorities and other lobbies against all

possible proposals to remove functions from LEAs, including reform of school education? Would it not be better to take polytechnics forward at the same time as school reform? The proposal on polytechnics would in any case require legislation.

DN

DAVID NORGROVE
21 November 1986

CAJAJT



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

21 November 1986

Jim Willie

EDUCATION, SCIENCE AND ARTS COMMITTEE REPORT ON PUBLIC EXPENDITURE

I attach a draft reply to the Education Select Committee's report on public expenditure which was published in July.

The Committee's report was their first on the Government's expenditure plans. Their recommendations covered a variety of topics, from student awards to the level of capital expenditure, together with some smaller points about the presentation of the Public Expenditure White Paper. The response deals with the recommendations individually, in the light of decisions taken in the recent PES round.

I should like to publish the response as soon as possible, as a White Paper. It draws on contributions from the Departments most directly involved, and I should be glad to receive any further comments by 28 November.

I am copying this letter and the draft response to the Prime Minister, members of "H" Committee and to Sir Robert Armstrong.

Jim Willie
Armstrong

DEPARTMENT OF EDUCATION AND SCIENCE EXPENDITURE PLANS 1986-87
TO 1988-89 (CMND 9702) AND SUPPLY ESTIMATES 1986-87: GOVERN-
MENT RESPONSE TO THE SECOND REPORT FROM THE EDUCATION, SCIENCE
AND ARTS COMMITTEE, SESSION 1985-86

Introduction

1. The Government welcomes this first report from the Education, Science and Arts Committee on DES expenditure plans and supply estimates, and looks forward to the Committee's future work in this area.

2. The Committee make seven recommendations in the Report; this response sets out and comments on each recommendation in turn.

The 1986 White Paper to complement the 1985-86 Report is the 1986 White Paper to complement Current Expenditure

We therefore recommend that the Government should in future publish plans for local authority current expenditure - including those for education - which represent the Government's best estimate of what local authorities are likely to spend in the following three years. (paragraph 9)

3. The Government shares the Committee's view of the desirability of providing local authorities with planning figures for expenditure in the two later years of the Public Expenditure Survey. The particular uncertainties about future spending by local authorities which underlay the decision to restrict firm planning figures in Cmnd 9702 to the first year were set out in HM Treasury's Observations on the Third Report from the Treasury and Civil Service Committee on the Public Expenditure White Paper 1986. The 1987 PEWP will carry firm planning figures for three forward years. The distribution between services of total planned expenditure will

be subject to review in the light of demographic trends, local authority budgets and other factors. But local authorities will have a clear indication of the Government's intentions for the level of local authority spending in future years.

4. The Committee will recognise, however, that decisions on what is actually spent rest with the local education authorities. In planning their expenditure they will have regard to local circumstances and their own policies for the service, as well as Government views. The Government promulgates longer-term policies for the property and manpower of the education service, as well as the annual expenditure plans. For example, this year the Government set targets for the number of surplus school places to be taken out of use nationally in each year up to 1992. The aim of achieving a student to staff ratio of 12:1 in advanced further education is well established; and the development of policies for the staffing of the schools and non-advanced further education is under discussion with the local education authorities.

Capital Expenditure

The Department of Education and Science should take steps to assess the real, long-term changes in spending on maintenance of assets and to analyse the quality of the capital stock. Where there is evidence of poor maintenance, capital allocations should be revised so as to encourage additional improvements in areas with particularly poor capital stock. In addition, we would favour a more general shift in the balance of public expenditure so as to increase the real level of education capital expenditure. We recommend accordingly. (paragraph 24)

5. The Government acknowledges the desirability of a well-maintained capital stock for the education service. Maintenance of assets is a current expenditure item. It is for

local education authorities themselves to decide how much to devote to maintenance within their total current expenditure. Studies of the trends in local authority expenditure on maintenance have been conducted and will continue. A sample survey of school building improvement needs has recently been launched. It is designed to give a reasonably reliable national picture of the work which local education authorities consider necessary to bring school buildings, other than aided schools, up to defined standards of functional and educational adequacy and of physical and environmental condition for 1991 pupil numbers. The Government will inform Parliament of the outcome of the survey.

6. The methodology for distributing local authority capital provision to individual authorities incorporates the use of an indicator of physical state and educational suitability of school buildings derived from information supplied by local authorities. The methodology is regularly reviewed. How the local authorities spend their capital allocations is at their discretion. Allocations are not tied to specific services.

7. The resources which can be devoted to capital expenditure depend on the merits of the proposed categories of expenditure and the many claims on public expenditure as a whole: the Government notes the Committee's views on the priority which capital expenditure should receive, and has announced in the Autumn Statement increases over previous plans for capital provision for local education authorities and voluntary schools.

Presentation

It is in our view important that capital spending within central government should be identified in total, separate from current expenditure. We recommend that this should be done in future White Papers. (paragraph 24)

8. The Government will take into account comments made by the Committee, and by the Treasury and Civil Service Committee in its Third Report in the 1985-86 Session, on the presentation of its expenditure plans. It is intended to publish the information requested by the Committee on total central government capital spending on education in the 1987 Public Expenditure White Paper.

Student Awards

We recommend that the DES immediately considers the equity of continued reductions in the basic student award following a period in which the figures produced by the DES show that there has been a cut in real terms. (paragraph 33)

9. The student support review is considering the financial support of students studying at first degree level in Great Britain. In reaching its conclusions it will take account of the recent reductions in the value of the student award and of the proposed changes in the social security system. It will also take account of the Committee's recommendation.

10. The Government's expenditure plans published in the Public Expenditure White Paper cover three years only. The 1986 White Paper does not cover 1989-90 or subsequent years. Public expenditure is reviewed annually and final decisions on the level of student awards expenditure in the forthcoming year are taken in the light of that review.

Specific Grants

We therefore recommend that the DES, in conjunction with the Department of Employment, takes immediate steps to research the effects (both intended and unintended) of all centrally-funded initiatives and specific grants which affect education and training and that the results of such research should be made public. (paragraph 41)

11. The Committee's report expresses concern that the introduction of the Youth Training Scheme appears to have affected the proportion of young people taking A levels in schools. This point is discussed fully in the DES note of evidence to the Committee (reproduced as Appendix 5 to the Report). The note drew attention to the Youth Cohort Study which has been designed to provide information on the education, training and employment of young people including the factors which influence the staying on rate. The first report of some preliminary findings was published in July 1986.

12. The Government's policy for 16-19 year olds is that they should be encouraged to continue with their education and training in whatever form is most appropriate to their needs, abilities and aspirations. The small drop in the A level participation rate and the possibility that some young people have opted for YTS who might otherwise have taken A levels is not in itself a cause for concern. The Government has no reason to believe that significant numbers of young people who would derive more benefit from taking A levels are opting for YTS instead.

13. Arrangements to monitor the effects of centrally-funded initiatives on education and training already exist and will be improved and developed. These are:

(a) Each activity within the Education Support Grant programme is evaluated as shown in Annex 2 to the Committee's report;

(b) TVEI projects are monitored and evaluated at both national and local level. The results of the evaluations are widely disseminated;

(c) Contributions from MSC towards work-related NAFE

are subject to the acceptance of an LEA's three-year plan and a specific programme for the first year. The responsibility for monitoring provision lies with LEAs. Research continues into evaluation and the establishment of performance indicators.

14. The Committee also mentions the industrial language training service. That service is in the midst of a major review. A consultative document on the scheme was published in April 1986 and any recommendations for the future will be made public.

Real Terms Expenditure Measures

We therefore recommend the introduction of volume measures of past education expenditure in a table presented in the same way as Table 3.12 in the 1986 White Paper to complement the existing cash figures. (paragraph 45)

15. The Government has no plans to introduce volume measures of education spending. Such measures would be inconsistent with the basis of cash planning. Rather than examining the volume of inputs consumed, the Government will continue to encourage the development of performance indicators in education.

Objectives and Performance Measures

It is crucial that consideration be given by the DES to the detail of aims and objectives for the education service and to how the achievement of such aims may be demonstrated. We recommend accordingly. (paragraph 49)

16. The Government is concerned, as is the Committee, that improvements are made in setting objectives for the education service and measuring its performance. The Government's objectives for education are kept under review. Various Government publications have set out detailed objectives for speci-

fic parts of the education service; such objectives have been published in "Better Schools" (Cmnd 9469), "The Development of Higher Education into the 1990s" (Cmnd 9524), and more recently, "Working Together - Education and Training" (Cmnd 9823) and in the Public Expenditure White Paper.

17. The Government is encouraging the development of performance indicators for different sectors of the education service within the limits set by the availability of data. It is important that any such measures are consistent, easily understood and workable.

PRIME MINISTER

EDUCATION BILL

I understand you discussed the Education Bill briefly at your meeting on Thursday. The Bill itself re-pays reading.

I suggest two comments. Clause 2 would allow the Committee "in examining a question referred to them" to "make such enquiries as they think fit". This would in fact allow them to commission pay comparisons, which could cause considerable difficulty.

2

Yes but if they are to advise on regional variations - would they need some data?

Secondly, clause 3(6) may need to refer to pensions as well as pay in relation to orders setting remuneration.

Yes

Agree to make these comments?

→

Any others?

DW

We also wanted a clause to impose a general duty on LGAs to see that the terms conditions are accepted or imposed. (in words to that effect)

(DAVID NORGROVE)
21 November 1986

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PRIME MINISTER

EDUCATION BILL - SCHOOL TEACHERS' PAY, DUTIES AND CONDITIONS OF SERVICE

1. This Bill must be subject to our decisions next week in MISC 122 and Cabinet. In the meantime I am pressing ahead with its preparation, and I think it might be helpful for you and colleagues to see the attached current draft.

2. The draft follows our previous policy decisions and provides for:

- i. the repeal of the Remuneration of Teachers Act 1965;
- ii. an interim Advisory Committee on school teachers' pay and conditions;
- iii. order making powers allowing me to set school teachers' pay and conditions - for the period up to 1 October 1987 subject only to the negative resolution procedure; thereafter following consultation with the Advisory Committee and subject to Parliamentary agreement;
- iv. the new arrangements to last in the first instance to 31 March 1990 and then to be subject to annual extension.

3. I would draw particular attention to the following points:

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(a) the exclusion of further education teachers from the proposed arrangements. There is no compelling case that we can make for imposing new arrangements for settling further education teachers' pay and conditions. Negotiations have more often produced agreements in further education; there is nothing like the collapse we have on the schools' side; there has been no large scale disruption of further education;

(b) the strictly limited room for manoeuvre of the Advisory Committee. It is through the questions I would put and the directions I would give (draft Clause 2(1) and (3)) that I would set the cost envelope for the Committee's advice and require examination of matters such as regional variations in pay, the pay of teachers of shortage subjects, and the enforcement of contracts by the employers. To spell these matters out on the face of the Bill would increase objections and risk the exclusion of items which might acquire importance in the future;

(c) the powers in clause 3 are the powers that I will need to issue regulations on teachers' pay and conditions. They are the means of imposing the Government's will on people when they won't comply. I am considering whether the drafting of this clause can, without altering the powers it provides, be revised to sound less draconian.

We discussed this

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cont...

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4. Unless there are unforeseen developments, I propose, given the timing imperatives, to put the draft to L next week subject to policy agreement at MISC 122 and Cabinet.

5. Copies of this minute go to members of MISC 122, the Attorney General and to Sir Robert Armstrong.

WS.

KB

Department of Education and Science

20 November 1986

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Draft

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EDUCATION BILL

ARRANGEMENT OF CLAUSES

1. Termination of existing arrangements.
2. Advisory Committee on School Teachers' Pay and Conditions.
3. Power of Secretary of State to make provision by order.
4. Expenses.
5. Duration of Act.
6. Interpretation.
7. Short title, &c.

SCHEDULES:

- Schedule 1 - Constitution and proceedings of Advisory Committee.
- Schedule 2 - Repeals.

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OF A

BILL

TO

Repeal the Remuneration of Teachers Act 1965 and make temporary provision with respect to the remuneration and other conditions of employment of school teachers.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and the Commons, in this present Parliament assembled, and by the authority of the same, as follows:-

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Termination of existing arrangements.

1. - (1) The Remuneration of Teachers Act 1965 is repealed.

(2) The remuneration of teachers shall continue to be determined, and paid to teachers by local education authorities, in accordance with the scales in payment, and other provisions in force, immediately before the passing of this Act until those provisions are superseded -

(a) in the case of school teachers, by provisions having effect under this Act;

(b) in the case of teachers in further education, by provisions agreed between, or settled in a manner agreed between, teachers and their employers.

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Advisory Committee on School Teachers' Pay and Conditions.

2. - (1) The Secretary of State shall appoint an Advisory Committee on School Teachers' Pay and Conditions to examine and report to him on such questions relating to the remuneration and other conditions of employment of school teachers in England and Wales as he may refer to them.

(2) Schedule 1 has effect with respect to the constitution and proceedings of the Committee.

(3) The Secretary of State may give directions to the Committee with respect to questions referred to them as to matters to which they are to have regard and financial or other constraints to which their recommendations are to be subject, and as to the time within which they are to report to him.

(4) The Committee may in examining a question referred to them make such inquiries as they think fit.

*Pay comparisons?
Should they be allowed?*

(5) Where a question has been referred to the Committee, they shall -

(a) give notice of the question and of any relevant direction to such associations of local education authorities and such organisations representing school teachers as appear to them to be concerned and to any local education authority with whom consultation appears to them to be desirable, and

(b) afford those bodies a reasonable opportunity of submitting evidence and representations with respect to the issues arising.

(6) The report of the Committee to the Secretary of State shall contain their recommendations on the question referred to

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them and such other advice relating to that question as they think fit.

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Power of Secretary of State to make provision by order.

3. - (1) The Secretary of State may by order made by statutory instrument make provision as to the remuneration of school teachers and generally as to their conditions of employment.

(2) An order may, instead of containing the provision to be made, refer to provisions set out in a document published by Her Majesty's Stationery Office and direct that those provisions shall have effect or, as the case may be, be amended in accordance with the order.

(3) The Secretary of State shall make provision on a matter only after consulting the Advisory Committee on that matter by referring questions to them in accordance with section 2 and -

- (a) an order which states that it gives effect without material alteration to recommendations of the Committee shall be subject to annulment in pursuance of a resolution of either House of Parliament, and
- (b) an order which does not contain such a statement shall not be made unless a draft of the order has been laid before and approved by resolution of both Houses of Parliament.

This subsection has effect subject to subsection (7) in the case of orders coming into force before 1st October 1987.

(4) The Secretary of State shall also, before making an order, consult such associations of local education authorities and such organisations representing school teachers as appear to him to be concerned and any local education authority with whom consultation appears to him to be desirable.

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(5) The effect of an order is - **CMO** until 20 December 1986

- (a) so far as it relates to remuneration, that the remuneration of teachers to whom the order applies shall be determined, and paid to teachers by local education authorities, in accordance with the scales and other provisions set out or referred to in the order, and
- (b) so far as it relates to conditions of employment other than remuneration, that the provisions set out or referred to in the order have effect as terms of the contracts of employment of teachers to whom the order applies;

and the provisions of a teacher's contract of employment (and of any collateral contract) shall have, or continue to have, effect only so far as consistent with those provisions.

(6) An order may as regards remuneration -

- (a) make different provision for different cases, including different provision for different areas;
- (b) make retrospective provision, but not so as to require the reduction of a teacher's pay in respect of a past period; *or pension?*
- (c) provide that to the extent specified in the order matters may be settled by agreement between, or in a manner agreed between, teachers and their employers.

(7) The obligation under subsection (3) to consult the Advisory Committee does not apply in relation to orders coming into force before 1st October 1987; and any such order shall be

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subject to annulment in pursuance of a resolution of either House of Parliament.

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Expenses.

4. There shall be paid out of money provided by Parliament any expenses of the Secretary of State under this Act and any increase attributable to this Act in the sums so payable under any other Act.

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until 20 December 1986

Duration of Act.

5. - (1) This Act shall expire on 31st March 1990 unless continued in force under this section.

(2) The Secretary of State may by order made -

(a) in the case of the first order, on or before 31st December 1989, and

(b) in the case of any subsequent order, before the end of the calendar year before the 31st March on which this Act is due to expire,

provide that this Act shall continue in force for a further year.

(3) On the expiry of this Act any order in force immediately before expiry shall continue to have effect in accordance with section 3(5) in relation to any contract of employment entered into before the expiry until superseded by provisions agreed between, or settled in a manner agreed between, teachers and their employers.

(4) An order under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

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Interpretation.

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6.- (1) In this Act -

"Advisory Committee" means the Advisory Committee on School Teachers' Pay and Conditions appointed under section 2;

"contract of employment", in relation to a teacher, means the contract (whether a contract of service or for services) under which he performs his duties as teacher;

"school teacher" means -

(a) a teacher in a primary or secondary school maintained by a local education authority, or

(b) a person employed by a local education authority as a teacher in the provision of primary or secondary education,

other than a person employed as a teacher in an establishment maintained by a local authority in the exercise of a social services function;

"teacher in further education" means a teacher paid by a local education authority who is -

(a) employed in an establishment of further education, or

(b) otherwise employed by a local education authority for the purposes of their functions relating to further education,

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other than a teacher seconded to a body which reimburses the employing authority the amount of his salary.

(2) This Act shall be construed as one with the Education Act 1944.

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until 20 December 1986

Short title, &c.

7. - (1) This Act may be cited as the Education Act 1987.

(2) This Act and the Education Acts 1944 to 1986 may be cited as the Education Acts 1944 to 1987.

(3) The enactments mentioned in Schedule 2 are repealed to the extent specified.

(4) This Act extends to England and Wales only.

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SCHEDULE 1

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until 20 December
1986

CONSTITUTION AND PROCEEDINGS OF ADVISORY COMMITTEE

Membership of Committee

1. - (1) The Advisory Committee shall consist of not less than five or more than nine members, who may be appointed as full-time or part-time members.

(2) Members shall hold and vacate office in accordance with their terms of appointment, subject to the following provisions.

(3) A member may resign his membership by notice in writing to the Secretary of State.

(4) The Secretary of State may by notice in writing to the member concerned remove from office a member who -

(a) has become bankrupt or made an arrangement with his creditors,

(b) is incapacitated by physical or mental illness, or

(c) has been absent from two or more consecutive meetings of the Committee otherwise than for a reason approved by the Committee,

or who is in the opinion of the Secretary of State otherwise unable or unfit to perform his duties as member.

Chairman and Deputy Chairman

2. - (1) The Secretary of State shall appoint one of the members of the Advisory Committee to be Chairman and may appoint

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one of them to be Deputy Chairman.

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until 20 December
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(2) The persons so appointed shall hold and vacate those offices in accordance with their terms of appointment, subject to the following provisions.

(3) The Chairman or Deputy Chairman may resign his office by notice in writing to the Secretary of State.

(4) If the Chairman or Deputy Chairman ceases to be a member of the Committee, he also ceases to be Chairman or Deputy Chairman.

Financial provisions

3. - (1) The Secretary of State may pay the Chairman, Deputy Chairman and members of the Advisory Committee such remuneration, and such allowances in respect of expenses properly incurred by them in the performance of their duties, as he may determine.

(2) The Secretary of State may determine to pay in respect of a person's office as Chairman, Deputy Chairman or member of the Advisory Committee -

(a) such pension, allowance or gratuity to or in respect of that person on his retirement or death, or

(b) such contributions or other payments towards the provision of such a pension, allowance or gratuity,

as the Secretary of State may determine.

(3) Where a person ceases to be a member of the Advisory Committee otherwise than on the expiry of his term of office and it appears to the Secretary of State that there are special

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circumstances which make it right for him to receive compensation, the Secretary of State may determine to make a payment to him by way of compensation of such amount as the Secretary of State may determine.

(4) As soon as may be after making a determination under sub-paragraph (2) or (3) the Secretary of State shall lay before each House of Parliament a statement of the amount payable in pursuance of the determination.

(5) The consent of the Treasury is required for any determination of the Secretary of State under this paragraph.

House of Commons disqualification

4. In Part III of Schedule 1 to the House of Commons (Disqualification) Act 1975 (disqualifying offices), insert at the appropriate place -

"A member of the Advisory Committee on School Teachers' Pay and Conditions appointed under section 2 of the Education Act 1987 who is in receipt of remuneration."

Proceedings of the Committee

5. - (1) The quorum of the Advisory Committee and the arrangements relating to their meetings shall, subject to the provisions of this Schedule, be such as the Committee may determine.

(2) The validity of proceedings of the Committee is not affected by any vacancy among the members or any defect in the appointment of any member.

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SCHEDULE 2

REPEALS

Chapter	Short title	Extent of repeal
1965 c.3.	Remuneration of Teachers Act 1965.	The whole Act.
1975 c.71.	Employment Protection Act 1975.	In Part IV of Schedule 16, paragraph 11.
1986 c.1.	Education (Amendment) Act 1986.	Section 2.

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PRIME MINISTER

TIMETABLE FOR THE EDUCATION BILL

As an addendum to this afternoon's meeting on Education, the Chief Whip tells me that he believes that, with determination, the Education Bill could be through the Commons by Christmas and with Royal Assent by, say, 12 February. But the business managers believe that it is possible to run only one Bill at a time on such a fast track. If the Education Bill was to receive that treatment it would not be possible to push Mr. Ridley's Local Government Finance Bill on the fast track.

In short, we will need to decide before too long which Bill has the priority.

N.L.W.

N L WICKS

20 November 1986

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10 DOWNING STREET

LONDON SW1A 2AA

19 November 1986

From the Private Secretary

EXAMINING 'A' LEVELS

The Prime Minister was grateful for your Secretary of State's minute of 13 November about the proposal to establish a Committee to review 'A' level syllabuses and examination procedures.

The Prime Minister agrees that 'A' levels, despite their many good features, now need some improvement.

The Prime Minister is, however, concerned that the review could too easily provide a vehicle for a fundamental dilution of standards. Accordingly, she has asked that the Chairman of the Committee should be known personally to insist on high academic standards. She has asked further that your Secretary of State should reconsider the proposed terms of reference to confine them more clearly to ironing out anomalies and inconsistencies. She believes that the present draft gives terms of reference which are too broad and the result could be to frustrate rather than achieve the main objective.

The Prime Minister has also asked that the terms of reference should invite the Committee to make recommendations which would lead to an effective core syllabus for each subject.

I am sending copies of this letter to Colin Williams (Welsh Office), Neil Ward (Northern Ireland Office), Caroline Slocock (Department of Employment), Robert Gordon (Scottish Office), Michael Gilbertson (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

David Norgrove

Mrs. Shirley Trundle,
Department of Education and Science.

Prime Minister
Agree to write as
proposed?

pp please.

DRV

19/11

19 November 1986

PRIME MINISTER

EXAMINING A-LEVELS

At present A levels are well-thought of both by employers and institutions of higher education: they are generally considered a good indicator of academic attainment: we need good reasons therefore before proceeding to change them.

The existing system however has been criticised on four counts:-

1. The narrow perspective of some syllabuses

eg the SUJB chemistry syllabus contains no reference to applications.

2. Variations in content between different Boards

This can cause problems for foundation year courses in higher education establishments. In 1980 the Board agreed to establishing common cores of content in 13 main A level subjects. In two they failed to agree and in the remaining 11 cores vary in quality.

3. Anomalies in assessment and grading

It is alleged that some Boards have inadequate control over assessment procedures, especially for borderline cases.

4. Insufficient testing of the application of students' knowledge and practical skills

eg the SUJB in chemistry awards no marks for experiments, even though the core syllabus suggests

12% should be allocated to assessing practical skills; and work in modern languages varies between 10 and 20 or more of final marks.

These problems arise because of the independence of the individual Boards and the lack of national criteria against which the content of syllabuses and exam procedures can be judged. The Secretary of State is right therefore to want to raise syllabuses to a minimum standard and to abolish anomalies.

While the Secretary of State has made out a case for a tidying-up exercise, he has not in my judgement made out a case for a fundamental review such as that referred to in draft terms of reference. I cannot help feeling that many educational administrators are itching to do for 'A' levels what GCSE has done for 'O' levels. If we are not careful this exercise could lead to a loss of rigour and academic standards and a transformation on 'A' levels into a wider examination covering the whole ability range at 18 +. This has been the whole drift of GCSE reform for 16 +. I strongly suspect that the same people who demanded the introduction of GCSE are now clamouring for a change in 'A' level. The terms of reference supplied by the Secretary of State are sufficiently broad to permit an exercise of this sort.

Recommendations

1. Agree to the setting up of the committee but require that its chairman be known personally to insist on high academic standards. *Yes*

2. Agree to the committee having terms of reference which permit the ironing out of anomalies and inconsistencies in existing syllabuses.

and which lay down effective core syllabus for each subject

3. But ^{these} ~~reject~~ the existing terms of reference as far too broad and which could easily provide a vehicle for a fundamental dilution of standards: in any case they are ~~would~~ quite unnecessary to achieving (2). → *frustrate rather than achieve (2).*

Brian Griffiths
—

BRIAN GRIFFITHS

*Amend as amended
mb*



10 DOWNING STREET

Prime Minister 4

You asked to be
brought up to date on the
legal framework of
education.

DLW

14/11

Thanks very much
mb



Je v

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 November 1986

Ruskin College: the Selbourne Affair

1 The Prime Minister has seen your Secretary of State's minute of 10 November. She has noted that he intends to follow up matters at Ruskin. I should be grateful if you could let me have a brief report either when the matter is concluded or as a progress report in a couple of months if this is more appropriate.

(ANDY BEARPARK)

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

DS



CEX
X

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

David Norgrove Esq
10 Downing Street
London SW1

13 November 1986

Dear David,

LEGISLATION ON EDUCATION

As requested in your letter of 16 October I enclose a paper which sets out the main features of the law governing education with particular reference to the developments in it since 1979 and the changes which will be brought about by the Education Act which has just completed its passage through Parliament. The paper has been written from a policy maker's point of view and thus, for example, goes into relatively more detail on the position relating to teachers' pay and City Technical College, which you mentioned. The account is deliberately selective and the language used lay rather than legal wherever possible.

The paper is arranged into the following sections

<i>paragraph 16</i>	Introduction	para 1
	Range of the Secretary of State's responsibilities	para 2
	The nature of the LEA - maintained sector	para 3-6
	Duties and rights of parents	paras 7-8
	The categories of maintained schools	paras 9-10
	Attendance and fees	para 11
	The Secretary of State's control powers	paras 12-15
	Assistance to bodies other than LEAs	para 16
	The Education (No 2) Act 1986	para 17
	School Meals	para 18

The Secretary of State is considering submitting a shorter note to be associated with this paper. That note would seek to give a brief overall assessment of the effect of the legislation described, and in particular the new Education Act, on the balance of power and responsibility in relation to education matters. I will be in touch with you about this shortly.

Yours sincerely,
Bob Smith

R L SMITH
Private Secretary

LEGISLATION ON EDUCATION

1. This paper describes the main features of the law governing education in England at the present time - these derive mainly from the Education Acts; mentions where appropriate changes introduced since 1979; and outlines those changes which take place when the Education Act 1986 comes into force. This account applies for all practical purposes also to Wales but the legal position in Scotland and Northern Ireland is substantially different.

Range of the Secretary of State's responsibilities

2. The Secretary of State's responsibilities extend to virtually every form of education, the main exception being private establishments of post-school education which make no approach to the Government for recognition, funding, or public financial support for their students. He has responsibilities in relation to 4 main categories:

- (1) **Universities:** these are independent, chartered (sometimes also statutorily defined) bodies, in relation to which the Secretary of State has no statutory power (unless the opening phrases of Section 1 of the 1944 Education Act - see para 12 (12) below - can be said to give him a locus in relation to universities in England). He has influence over them, however, because he pays grant-in-aid under the Appropriation Act to each university (except the privately funded University of Buckingham). He is advised on university matters (with the exception of the Open University, for which there is a Visiting Committee which he appoints), including the allocations of grants-in-aid, by the University Grants Committee, which was established by a Treasury Minute in 1919 and whose chairman

and members are appointed by the Secretary of State. The future status and funding of the UGC may be changed in the light of the Croham Report.

- (2) A number of institutions which are grant-aided direct by the Secretary of State in support of current and capital expenditure. They include the voluntary colleges (which are largely engaged in teacher training and are often church foundations), the agricultural colleges, Cranfield, the Royal College of Art, and various adult education bodies such as university extra-mural departments, the Workers' Education Association districts and 6 long-term residential colleges.
- (3) Independent Schools. Under Part III of the Education Act 1944 no such school may operate unless it is registered by the Secretary of State. It is a condition of continuing registration that the school satisfies the Secretary of State on its suitability as regards its premises, and the education it offers. The school has to be of a standard which would enable a parent who placed his child there to satisfy his statutory duty to secure efficient full-time education for the child (see para 4 (1)). Under the Education Act 1980, the Secretary of State also has the power to subsidise the fees of certain pupils admitted to selected independent secondary schools under the Assisted Places Scheme; he is expressly empowered to make agreements with such schools which may require up to 3 years' notice of termination.
- (4) The LEA-maintained sector ie schools and other establishments including polytechnics maintained by local education authorities (LEAs). The remainder of this paper is mainly concerned with this category.

The nature of the LEA-maintained sector

3. The statutory position governing the LEA-maintained sector reflects its historical origins. It is an amalgamation of much uncoordinated local activity, by voluntary bodies, particularly the churches, or private persons with a succession of statutory requirements on local authorities dating back only to 1870. In consequence, although the LEA-maintained sector is now the main part of the national education system, it is characterised by a complex distribution of functions between the Secretary of State, the LEA, and the maintained institutions themselves.

4. This distribution pivots on certain provisions of the 1944 Act:

- (1) the statutory duty on the parents of every child of "compulsory school age" ie, broadly speaking, those aged 5-16, to secure his efficient full-time education during that period.
- (2) The right of those aged 16-18 inclusive to full-time education either at school or at an establishment of further education (FE).
- (3) The general duty imposed on LEAs to ensure the overall sufficiency of FE provision for their areas.

The LEA, ie in London the Outer London Boroughs and the ILEA and elsewhere the metropolitan districts and the shire counties, has a duty to secure sufficient provision to enable the discharge of the parental duty in (1) above and the exercise of the young person's right in (2) above. This is a "topping-up" duty: the LEA has itself to make the necessary provision not already made by others eg independent or voluntary bodies and frequently discharges its duty merely by financing the provision made by others, notably the voluntary bodies. The school provision to be secured must be suitable to the age, abilities and aptitudes of the pupils as well as their special educational needs, if any.

5. For children under 5 LEAs have a power to provide nursery or other education; and under the Education Act 1981, a duty to identify and provide education for certain children who have special educational needs. Post-16 the LEA also has the power to provide part-time or full-time education in FE establishments, higher education (in polytechnics or other establishments) and adult education. It also has the duty to secure adequate facilities for recreation and social and physical training for young people without age restriction. This is largely achieved through the direct provision of youth service facilities and through financial and other support for the many voluntary organisations active in this field.

6. In support of those duties to secure provision, the LEA has a duty under section 55 of the 1944 Act to provide, and may assist with the cost of, transport to and from school where the school is not otherwise accessible. It also has a power to assist poor pupils with the cost of school clothing and, post-16 with financial support. In addition the LEA has a duty under the Education Act 1962 to make awards (mandatory awards) to students ordinarily resident in its area in respect of their attendance at full-time first degree and other courses designated by the Secretary of State, in accordance with regulations made by him. The LEA has in addition a power to make discretionary awards to students who do not qualify for mandatory awards. The Secretary of State has power to make awards to students on designated postgraduate courses.

Duties and rights of parents

7. If a parent does not send a child aged 5-16 to a LEA-maintained or registered independent school, or arrange for his full-time education otherwise than at school (eg at home) in a manner approved by the LEA, the LEA has a duty to enforce attendance at school or appropriate education otherwise than at school. Under the Education Act 1980, all parents have the right to prescribed information about the maintained schools to which they might send their children,

and to express a preference which has to be met unless the pupil fails to meet any requirements as to sex, denomination or academic level which derive from the character of the school or, in the case of an oversubscribed school, has insufficient priority against previously published criteria, and having regard to the efficient use of resources. Parents dissatisfied with admission decisions may appeal to specially constituted appeal committees which may allow the appeal even if it is claimed that the school is full.

8. Under the Education Act 1981 the LEA has a duty to make a statement describing the special needs and determining the placement of those children aged 2-18 inclusive whose special needs require this. The statutory procedures for making the statement and the placement involve the child's parents throughout. The placement has to be in an ordinary school unless, as frequently happens, this would be against the educational interests of the child or the other children in the ordinary school, or be incompatible with the efficient use of resources, in which case the placement must be in a suitable special school. Special schools have to be approved as such by the Secretary of State and are subject to conditions laid down by him. Most special schools are maintained by LEAs, but there is also a small group of non-maintained schools approved by the Secretary of State as special schools.

The Categories of maintained schools

9. All maintained schools (other than nursery schools) have to have a governing body which, under the Education Act 1980, is normally responsible only for one school. That Act required all governing bodies to have a stipulated minimum number of elected parent and teacher governors. Maintained schools fall into 5 categories:

- (1) County Schools. The LEA owns these, employs the staff, determines the arrangements for admission, is responsible for financing all aspects of provision, and can appoint the majority of the governors. Religious education in them has to be non-denominational.

- (2) Special schools. As for (1), but catering for certain children with special needs - see para 8 above.
- (3) Voluntary controlled schools. In return for the initial provision of premises, the voluntary body concerned (normally the Church of England) appoints some (foundation) governors. Through these, it has a special say in the religious education provided at the school and a significant influence over its ethos. The governors may also control admissions under arrangements agreed with the LEA. These schools are essentially like (1).
- (4) Voluntary aided schools. In return for the initial provision of the premises (which it continues to own) and a continuing liability for external repairs and capital work (all with the benefit of 85% grant from the Secretary of State), the voluntary body concerned (principally the Roman Catholic Church and the Church of England) appoints the majority of the governing body and has substantial powers over all aspects of the school's operation. The governing body employs the staff (within a complement determined by the LEA and subject to the LEA's right, in most cases, to veto teacher appointments and to require a teacher's dismissal eg on professional grounds), and controls admissions.
- (5) Special agreement schools. These - a very small, closed category of voluntary schools - are to all intents and purposes like (4) except that the LEA, not the governors, employs the staff.

10. Responsibility for the curriculum and such matters as discipline in maintained schools is determined mainly by each school's articles of government. In general control over the secular curriculum in aided secondary schools rests

with the governors, with or without some delegation on matters of detail to the head. In other categories of school the allocation of responsibility between the LEA, the governors and the head varies greatly and haphazardly and is often unclear. In many cases the LEA has a power to override the governors or head. Responsibility for religious education, and the compulsory daily act of collective worship, are regulated in some detail by the Education Act 1944, which also gives parents the right to withdraw children from the collective act and from religious instruction.

Attendance and fees

11. Education in school has to be full-time if it is provided between the ages of 5 and 18 but may be part-time for children with special educational needs if they are also educated otherwise than at school. It may not be provided post-18. Before the age of 5 it may be provided part-time or full-time. Under section 61 of the 1944 Act, for pupils of all ages attending full-time or part-time education in school has to be free of charge. This requirement extends to any provision made by the school as part of the curriculum it offers and includes for example field trips or swimming lessons arranged elsewhere. Parents and others may contribute towards the cost of any part of education in school provided the contributions are voluntary. Fees may be charged for courses in FE establishments; the Secretary of State's power (under section 27 of the Education Act 1980) to make regulations in respect of such fees is not at present exercised.

The Secretary of State's control powers

12. The responsibilities of LEAs and governing bodies are subject to control by the Secretary of State broadly as follows:

- (1) The pattern of each LEA's schools has been determined, and is now changed from time to time under the Education Act 1980, as the result of a statutory process under which the LEA or voluntary bodies make proposals, to which interested persons or parties may object, and which often

require the approval of the Secretary of State. But he cannot initiate his own proposals, let alone oblige a LEA or voluntary body to accept them. His control over school provision is much closer than over FE provision - see (2) below.

- (2) Under sections 41 and 42 of the 1944 Act, the pattern of each LEA's provision for further and higher education has to be in accordance with a scheme submitted by the LEA to the Secretary of State and approved by him. Much LEA provision in this area does not figure in the approved schemes, because the procedures for submitting and revising schemes have largely fallen into disuse, and such provision is therefore ultra vires. So far it has not been in anyone's interest to challenge its legality.
- (3) The Secretary of State has the power, through regulations, to determine the length of the school day and year, to determine minimum standards for school premises; and to regulate the keeping, disclosure and transmission of educational records about pupils and students in FE establishments.
- (4) The Secretary of State has the power to approve and withdraw approval from advanced ie higher education courses offered in FE colleges, polytechnics and voluntary colleges.
- (5) The Secretary of State has a duty to secure an adequate supply of teachers and adequate arrangements for their training. The latter duty is supported by his powers (under section 27 of the Education Act 1980) to make regulations in respect of teachers. These powers enable him to determine the qualifications of teachers in schools and FE establishments, ie to ensure that generally only teachers who have undergone training courses approved by him (whether at universities, polytechnics, maintained colleges of higher education

or voluntary colleges) are employed in maintained schools; to require LEAs to staff maintained schools with adequate numbers of suitably qualified teachers; and to ban teachers from maintained schools and FE establishments either because they have failed to complete their probation satisfactorily, or on educational or health grounds, or because of misconduct; the power relating to misconduct is used principally to protect the safety and welfare of pupils.

- (6) The Secretary of State plays a part in the statutory arrangements which govern the pay (but not the conditions of service) of teachers in maintained schools and FE establishments including voluntary colleges. Under the Remuneration of Teachers Act, 1965, such teachers must be paid in accordance with agreements reached in the Burnham Committees between representatives of the employing LEAs and the teachers. The Secretary of State is himself represented on the Committees, determines the bodies represented on them, their respective voting strengths, and the arrangements for reference to arbitration, is under a duty to promulgate Burnham agreements, but has powers to set aside arbitral recommendations if both Houses of Parliament resolve that national economic circumstances so require.
- (7) Under the Superannuation Act 1972 the Secretary of State makes regulations which determine the terms of the pension scheme for teachers in schools and FE establishments, including the contributions payable by employers and employees. The level of contributions must have regard to the Government Actuary's quinquennial reviews of the scheme. The Secretary of State also makes regulations under the Act to provide for discretionary benefits by employers in respect of an employee's premature retirement.

- (8) The Secretary of State has a duty under section 77 of the 1944 Act to cause LEA-maintained establishments to be inspected, either by HMI or by others. LEAs have the power to inspect the establishments they maintain.
- (9) The Secretary of State exercises influence, and some indirect control, over the curriculum of schools by virtue of his office and because most of his functions presuppose some general view on the curriculum which he wishes to promote.
- (10) The Secretary of State has the duty to settle disputes between LEAs, or between a LEA and a governing body, in certain cases; and in a small class of cases to determine an appeal by a parent against certain decisions of the LEA under the Education Act 1981.
- (11) The Secretary of State has limited default powers. He cannot take over any of the functions of a LEA or a governing body. But under sections 99 and 68 of the 1944 Act he may give to a LEA or governing body, where he is satisfied that a statutory education duty is not being performed or an education function is being or is proposed to be exercised unreasonably (ie as no reasonable LEA or governing body could exercise it), a direction, enforceable by mandamus, to perform the duty or to refrain from exercising the function unreasonably.
- (12) The Secretary of State's functions in relation to LEAs are summed up in the essentially declaratory provisions of section 1 of the 1944 Act viz:

"It shall be the duty of the Secretary of State for Education and Science to promote the education of the people of England and the progressive development of institutions devoted to that purpose, and to secure the effective execution by local authorities, under his control and direction, of the national policy for providing a varied and comprehensive educational service in every area."

13. The Secretary of State has no statutory power in relation to the system of public examinations. He exercises a substantial control over aspects of it by consent and the influence of his office.

14. Under the Education Act 1944, Government financial support for the LEA-maintained sector was the responsibility of the Secretary of State through a range of specific grants carried on his votes to which he could attach conditions. Since 1958 Government grant towards LEA current expenditure - there is no grant towards capital expenditure - has not been earmarked but has formed part of a system of unhypothecated general or rate support grants for the bulk of local authority current expenditure. At present the Secretary of State pays specific grant to LEAs only towards:

- (1) special activities financed by Education Support Grant (introduced by the Education (Grants and Awards) Act 1984) up to a limit of 1% of total LEA current expenditure. The grant is also used to support new LEA schemes for mid-day supervision.
- (2) Approved in-service training of teachers and others within the education service.

Under the Local Government, Planning and Land Act 1980 the Secretary of State also determines the upper limit (quantum) of expenditure on advanced ie higher education that may be pooled by local authorities. The distribution of the pool is determined by the Secretary of State on the advice of the National Advisory Body for Public Sector Higher Education

(NAB). In addition the Home Secretary and the Environment Secretary respectively pay specific grant towards some LEA expenditure via:

- (3) Section 11 of the Local Government Act 1966 for staff to meet the special needs of Commonwealth immigrants or their descendants.
- (4) Urban programme projects.

Under the Employment and Training Act 1973, the Government also uses the MSC to buy or support services provided by LEAs in schools or colleges. For example the TVEI is financed on the basis of contracts between the MSC and the LEAs concerned. The Secretary of State also has a duty to reimburse to LEAs 90% of the cost of the mandatory awards to students referred to in para 6 above.

15. The Education (No 2) Act 1968 requires LEAs to draw up Instruments and Articles of Government for all their further and higher education establishments, and gives the Secretary of State power of approval over the Articles of Government and, in the case of teacher training colleges, also over the Instruments of Government.

Assistance to bodies other than LEAs

16. The Secretary of State has a power under section 100 of the 1944 Act, exercisable through regulations, to pay grants to persons or bodies other than LEAs for the provision of educational services and to attach conditions to such grants. This power is used to support or assist a wide range of recipients. In particular it is used to maintain voluntary colleges and other direct-grant institutions of higher education. It was formerly used to assist direct grant schools. It is the only power available for the purpose of maintaining the City Technology Colleges. For that purpose it suffers the limitation that it does not enable the Secretary of State to make agreements with promoters similar to the agreements with independent schools for the Assisted Places Scheme. It may prove necessary to take such a power in primary

legislation to give prospective promoters some protection against instant termination of grant.

The Education (No 2) Act 1986

17. The Education (No 2) Act 1986 will change the legal position in the following main respects:

- (1) the composition of governing bodies of county, controlled and maintained special schools will be changed so that LEAs can no longer appoint the majority of governors. Each governing body will have a prescribed composition, depending on the size of the school, under which there will be an equal number of LEA-appointed and parent-elected governors, plus teacher governors as at present, the head (if he wishes to be a governor), and coopted governors, including members of the business community and foundation governors for controlled schools.
- (2) All maintained schools will have new articles of government which will contain standard provisions for allocating between the governing body, the LEA and the head responsibility for:
 - (a) the conduct and discipline of the school - to strengthen or, for aided and special agreement schools, to confirm the authority of the governing body and the head. Procedures for the suspension and expulsion of pupils will have to include rights of appeal for parents against an expulsion and for the governing body against an LEA's reinstatement of an expelled pupil.
 - (b) finance - the governors to be responsible for the sums made available by the LEA for at least books, equipment and stationery, with a power enabling the Secretary of State to extend the list in due course.

- (c) the secular curriculum - in county, special and controlled schools, the head to determine this (apart from sex education) in accordance with the LEA's policy or the governors' modification of that policy, and to organise its delivery; the governors to be responsible for the content of sex education (if any) and for the way in which it is organised and taught; in aided and special agreement schools the governors to be responsible for the control of the secular curriculum with delegation to the head on its organisation and delivery.
- (d) Appointment of staff - in county, special, controlled and special agreement schools. While the LEA, as employer, will continue to appoint staff, the governing body - freed of LEA domination - will be much more closely involved than hitherto: in the case of head teacher appointments, having an equal voice with LEA representatives in making recommendations without which the LEA may not appoint. Governors will also have the right to be consulted over dismissals. In aided schools, the existing position (see paragraph 9 (4) above) is to continue.
- (3) All school governing bodies will be required to circulate an annual report about the discharge of their functions to all parents and to convene an annual parents' meeting to discuss the report and other matters relating to the school's affairs.
- (4) The Secretary of State will have wide powers to support in-service training generally by means of a specific grant to which conditions can be attached.
- (5) The Secretary of State will have powers to make regulations governing the appraisal of teachers.

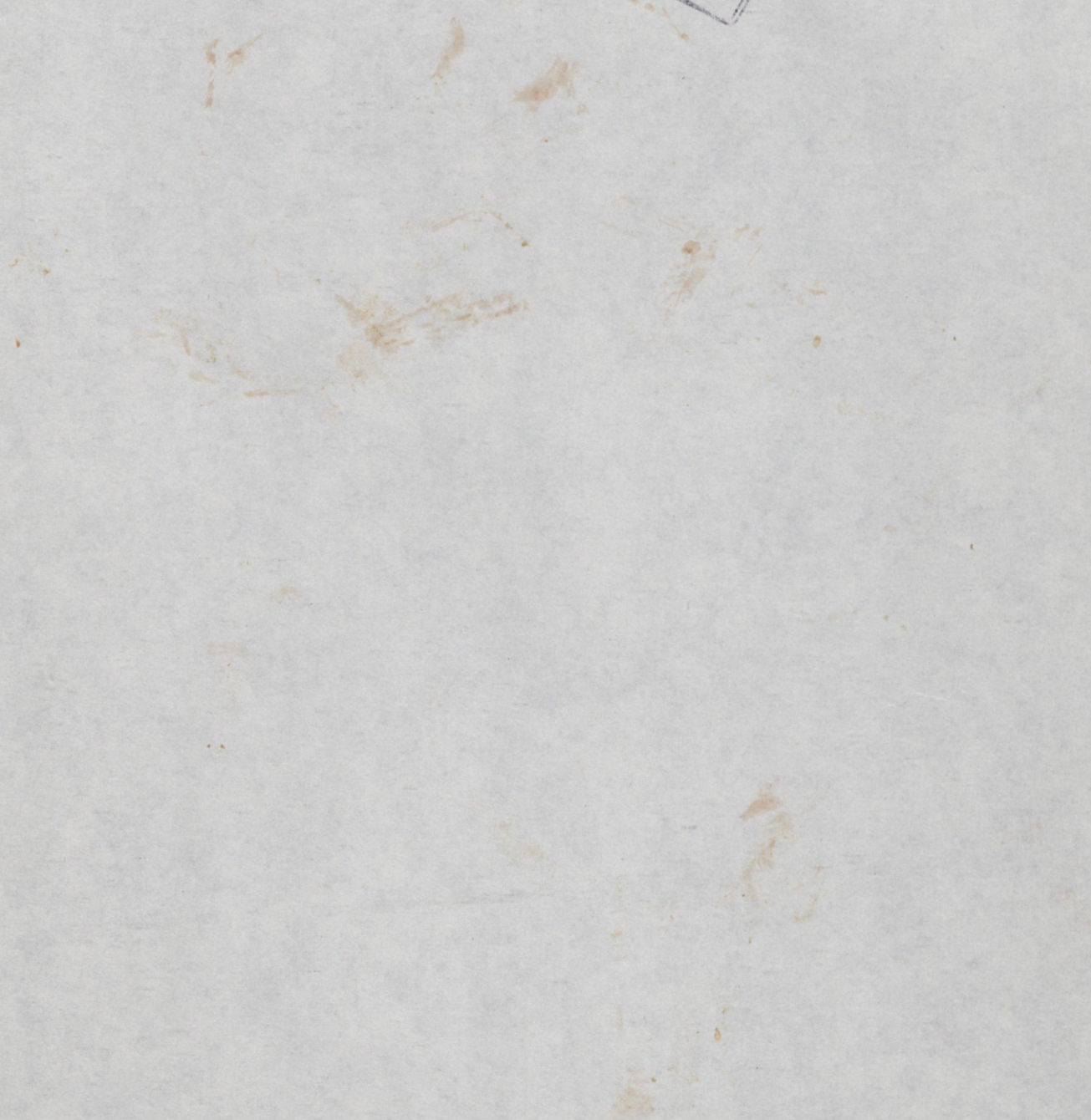
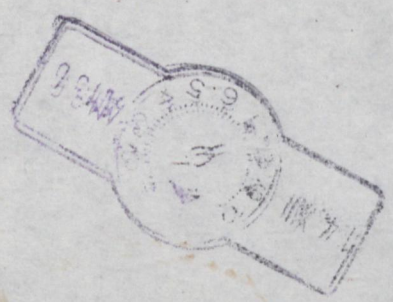
- (6) All maintained schools will be required, in accordance with regulations by the Secretary of State, to make available to each parent regular information about what his child is being taught.
- (7) Institutions of higher education will be required to take certain measures for the protection of freedom of speech on the campus.
- (8) The LEA, governing body and head teacher will be required to forbid partisan political activities for primary school pupils and partisan political teaching in all schools. They will also be required to ensure, so far as they reasonably can, that where political views are presented to pupils, they are offered a balanced presentation of opposing views. In addition sex education (if any) will have to have due regard to moral considerations and the value of family life.
- (9) The Act will also extend to non-advanced further education students the freedom of movement across local authority boundaries, with automatic recoupment of costs, already enjoyed by school pupils under the Education Act 1980.

School Meals

18. Until 1980 LEAs were under a duty to provide a mid-day meal for any pupil who wanted one, the price was fixed by the Secretary of State and there were complex rules as to the nutritional content and entitlement to a free meal. The Education Act 1980 replaced this system and gave LEAs the discretion as to what is provided and at what price but placed a duty on LEAs to provide free facilities for pupils bringing their own food to consume it and to provide a free meal for pupils whose parents receive Supplementary Benefit or FIS. The Act gave LEAs discretion to provide free or reduced-price meals to a wider range of pupils. Under the Social Security Act 1986, LEAs will be under a duty from 1988 onwards to

provide free meals for pupils whose parents are on Income Support, but will not be allowed to give free or reduced-price meals selectively to any other pupils. Families on Family Credit with school-age children will get an enhanced rate of payment.

EDUCATION: Policy: PE9



PRIME MINISTER

EXAMINING A LEVELS

CEBG
 Any PV comments by Wee
 week-end please.
 JLS
 12/11

The GCE Boards are proposing to establish a committee to review A level syllabuses and examination procedures.

2. I believe that A levels are too important a matter to be left to the GCE Boards - or any vested educational interest. These examinations are at a pivotal point in the education system, and their quality strongly affects higher education, industry and commerce, and the schools. Moreover, as a Government we are committed to the retention of A levels: the preservation of the standards of excellence which they set is a matter of close concern to us politically.

3. A levels, despite their many good features, now need some improvement. The number of syllabuses has multiplied in recent years, and they vary in quality. Some are very good, some are out-of-date, and some do not sufficiently develop in students the understanding and skills which higher education and industry need. Moreover, grading standards across the GCE Boards vary, and even a difference of one grade can be vital for candidates seeking university places.

4. I believe that A level criteria should be developed - criteria to govern the aims and objectives of A level courses, their subject content and the grading standards. The review proposed by the GCE Boards is not designed to produce these. Nick Edwards and I think it right therefore to take the initiative from the GCE Boards and to establish a small group - 3 or 4 members under an eminent, independent Chairman - to consider A levels. Draft terms of reference are attached. This handful of

widely respected people - including say, a university vice chancellor, an industrialist and an independent generalist - would be asked to produce a short, sharp report within 6-9 months which will set the parameters for the detailed and largely professional task of adjusting the A level system, in which the GCE Boards will be fully involved.

5. I have spoken to Francis Toombs and Professor Geoffrey Elton, and they are wholly with me. A report based on these tight terms of reference will leave us better placed to resist pressures to abandon or substantially change A levels.

6. I aim to announce the setting up of the group by Christmas, and I would be glad to know that you are content for us to proceed. I would, of course, consult you about the Chairmanship.

7. I am copying this to Nick Edwards, Tom King, David Young, Malcolm Rifkind and Paul Channon, and also Sir Robert Armstrong.

KS.

KB

Department of Education and Science

13 November 1986

DRAFT TERMS OF REFERENCE

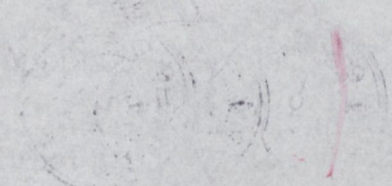
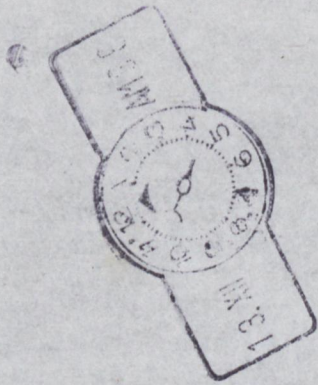
In the light of the Government's commitment to retain General Certificate of Education (GCE) Advanced level examinations as an essential means for setting standards of excellence:

- to consider GCE A levels, in particular their course objectives, syllabus content, grading standards, assessment techniques and examination procedures;

and in the light of that consideration,

- to recommend the general principles that should govern GCE A level syllabuses and their assessment;
- to advise on any modifications necessary to implement these principles; and
- to advise on the steps necessary to secure timely implementation of any required modifications.

Policy: EDUCATION Pt 1a



PRIME MINISTER

13 November 1986

4
JEN 14/11

I enclose a text of Kenneth Baker's recent lecture on English in Schools. After a rather discursive opening few pages, it takes off after para 7. It shows very clearly Kenneth Baker's love of the English language as well as his courage in defending (albeit in a rather sophisticated way)

- learning by heart (para 13)
- the need for benchmarks of progress (para 15)
- the need for greater reading and less television (para 9)

I gather that he wished Iris Murdoch to head up the new High Level Independent Committee, but she is too busy. He is still looking for a suitable chairman.

Ph.

BRIAN GRIFFITHS

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NEWS

289/86

NOT FOR USE BEFORE
2000 HRS ON FRIDAY
7 NOVEMBER 1986

KENNETH BAKER'S NEW INITIATIVE TO IMPROVE

ENGLISH IN SCHOOLS

High-level Independent Committee to be set up

Kenneth Baker announced tonight that he is to set up a "high-level independent committee" to recommend what school pupils should know about the English language.

The results from this new initiative would need to be taken on board in teacher training and in classroom practice, said Mr Baker.

Giving the Alan Palmer Lecture at Pangbourne College, Berkshire, Mr Baker stressed the importance of reading, both for its own sake and to build up the other language skills of speaking, listening and writing.

"Frequently I hear employers complain that many school leavers applying for jobs after 11 years of compulsory education cannot write simply, clearly and without obvious error," said Mr Baker. "That is often an exaggeration, but there is disquiet. So what has gone wrong?"

Mr Baker said that research he would publish shortly showed that nine out of 10 of 11 year olds said they enjoyed reading particularly stories, but two out of 10 indicated that they only read what they had to and four out of 10 said they did not usually read at home.

"At the age of 15 the surveys showed the somewhat diminished enthusiasm for reading among pupils of both sexes," said Mr Baker.

"About eight out of 10 said they enjoyed reading, but one in four said they rarely read books at home and the same proportion indicated that, apart from school work, they only read if they wanted to find out something.

"Interest in reading should not just be left to the teacher or the school. The parent can have a great influence and, at an early age, probably an even greater influence than school.

"There is ample evidence to show that children benefit in language skills, in understanding and expressing themselves, if stories are read to them by their parents and their parents encourage them to read, and to talk about their thoughts and experiences. But, alas, it is all too easy to turn on 'Bugs Bunny' or 'Donald Duck' rather than take a book off the shelf and read it at bedtime," said Mr Baker.

NOTE TO EDITORS

Attached is a copy of Mr Baker's lecture.

---ooOoo---

ALAN PALMER LECTURE GIVEN BY EDUCATION SECRETARY KENNETH BAKER
AT PANGBOURNE COLLEGE, BERKSHIRE ON FRIDAY 7 NOVEMBER 1986

1. This evening I want to talk about the English Language, our mother tongue. Next to our people, the English language is our greatest asset as a nation, it is the essential ingredient of the Englishness of England. Its role in our national life is probably more important today than ever before, for the simple reason that it endures at a time which has seen so much that characterised our country change and disappear. You will notice that I am speaking about English and the English. Fascinating things could be said about English in relation to other parts of the UK. I shall not venture into that territory since my responsibilities as a Minister are in the main limited to England.

2. What is it that constitutes a nation? In 1946 Orwell wrote "when you come back to England from any foreign country you have immediately the sensation of breathing a different air The clatter of clogs in the Lancashire Mill towns, the to and fro of the lorries on the Great North Road, the queues outside the Labour Exchanges, the rattle of pin tables in the Soho pubs, the old maids biking to holy communion through the mists of the autumn mornings. All these are not only fragments but characteristic fragments of the English scene".

3. Chesterton, writing earlier in the century, spoke of "the slow growth of great parks, the dark enrichment of red wine in cellars and inns, all the leisure of the life of England through

many centuries". And a century earlier, in 1825, Cobbet, in his rural rides around the country, made an all too familiar complaint about young people when writing of the forced sale of a farmhouse which must have been in my own Surrey constituency:

"When the old farm houses are down (and down they must come in time) what a miserable thing the country will be! Those that are now erected are mere painted shells, with a Mistress within, who is stuck up in a place she calls a parlour, with, if she have children, the 'young ladies and genetlemen' about her:

..... The children (which is the worst part of it) are all too clever to work: they are all to be gentlefolks. Go to plough! Good God! What, 'young gentlemen' go to plough! They become clerks, or some skimmy-dish thing or other. They flee from the dirty work as cunning horses do from the bridle. What misery is all this!"

4. Blake, at the beginning of the Industrial Revolution, spoke of England's green and pleasant land. And over that 200 years much has happened. The Industrial Revolution transformed the rural quality of English life but only gradually dented its largely rural values. Wars have been fought and won, an Empire was built up and dismantled and, even since Orwell's days, the clogs have now gone. But we have unemployment and Cobbet's complaint about young people taking skimmy-dish jobs has a contemporary ring to it - it is referred to now less elegantly as deindustrialisation-and the great glory of Blake's landscape

has just about survived the threat of the developers, scientific farming and Dutch Elm disease. All these things have created a unique and beautiful country, it has a flavour of its own. But it is the people of England who fashion the shape, create the flavour and determine the direction of our changing national consciousness. The thing that has held them together over the centuries and would still allow an Englishman transported back a hundred years or two hundred years or four hundred years, if you have a good ear for accent, to recognise that he was in the same country, is the English language. So the people of England, wherever they came from in the first place, (Scandinavia, Ireland, France, Eastern Europe, Asia or the Caribbean) have been bound together and are bound together by the English Language.

5. Our Language must not be treated as a museum piece; to be protected from the ebb and flow of daily life; removed from the market place for fear the rough tongues of common men may tarnish and abuse it. It is a living thing healthy and robust enough to thrive in tap rooms, pulpits and senior common rooms. But that great asset must be nourished and treasured and enhanced. We are indeed lucky that it has become the main language in the World. It need not have been so, if Clive in India and Wolfe in North America had not beaten the French, and if Cooke had not reached Australia when he did, then other languages might well have been more widely established. Indeed, today another language from the old world, Spanish, is advancing each year as the principal language of many North Americans. Yet, this week, in a state-wide referendum, the people of California voted by a very large majority to make English the State's Official language: a vote that for its success required the substantial support of minority

and immigrant communities in California. We should be grateful that so many other countries have inherited English or taken to using it. Indeed, it is now so widely spoken that it provides us with a plausible, but untenable excuse to indulge our short-sighted national pastime of not learning other people's languages.

6. These other countries fashion English in their own way. I understand that there is now a Nigerian-English, and Indian-English and a Singaporean-English, and in Australia there is "Strine". There is certainly American-English. I am told of a handbook for a Japanese car, sold in America, which has a page-long mini-dictionary translating the names of parts of the car from English English into American English. The Americans have been busy developing the syntax and creating a vigorous new vocabulary, adding words and new phrases from Gerrymandering to gobbledygook, from bunkum to hokum, from doughnut to jeepers creepers and from the \$64 thousand question to Catch 22. All these are new, different and appealing ways of saying things and they reveal a vigour and a refreshing vitality. English continues to develop everywhere as only a living language can.

7. But what of our own efforts? Well first let us recognise that like a garden a language needs care and attention, it needs cultivation and I am not at all happy that this is happening. Two years ago my predecessor, Sir Keith Joseph, authorised Her Majesty's Inspectors to publish a discussion paper on the curriculum in English from 5 to 16. The paper invited comments. HMI received 931 formal representations. It was quite obvious that, while there was widespread agreement about the purposes of

English teaching, the importance of dealing with language in use, spoken and written, and about the centrality of literature in English teaching, there was no agreement or consistency about what children of various abilities should be expected to achieve by different ages. In particular there was widespread disagreement and confusion about what should be taught about how our language works. For example, in a few schools there is still an attempt to teach grammar in the way that my generation understood that term. In other schools pupils are no longer taught about their own language. I also receive reports from Her Majesty's Inspectors about many schools and I was dispirited to read in one recently the following "One of the most disappointing features of the English teaching observed was the extent to which the reading of literature suffered in a substantial number of schools. In one school, what literature was taught consisted of short stories, often ghost stories, and the teacher had not considered himself brave enough to study poetry with the group".

8. What seems to me to be clear from what I have seen is the importance of reading, both for its own sake and to build up the other language skills of speaking, listening and writing.

Frequently I hear employers complain that many school leavers applying for a job after 11 years of compulsory education cannot write simply, clearly and without obvious error. That is often an exaggeration, but there is disquiet. So what has gone wrong? Some research which I will be publishing shortly shows that 9 out of 10 of 11 year olds said that they enjoyed reading, particularly stories, but 2 out of 10 indicated that they only read what they had to and 4 out of 10 indicated they do not usually read at home. At the age of 15 the surveys showed the somewhat diminished

enthusiasm for reading among pupils of both sexes. About 8 out of 10 said they enjoyed reading, but 1 in 4 said they rarely read books at home and the same proportion indicated that, apart from school work, they only read if they wanted to find out something.

9. We should not be surprised by this because it does not require long and painstaking research; it does not require careful penetrating analysis; it does not require nationwide opinion polls covering all ages, sexes and social classes to discover that a person cannot look at television and at the same time read a book. And there is no doubt that children spend a lot of time looking at television. The study of "Popular TV and School Children" published by my Department in 1983 indicated that young people between 5-14 years of age spend an average of 23 hours per week watching television - that's about a fifth of the waking hours in a week.

10. I find this depressing. I know there are books and books and too many so-called best sellers today cynically cash in on a crude formula of sex and violence. But literature, the reading of good books, is in many important ways a superior, richer and deeper experience than watching television. A particular feature of the written or spoken word in isolation from visual image is the unique demand it makes upon the imagination. Written or spoken poetry and prose stimulates and enriches the imagination of the listener or reader. He cannot make sense of what he sees or hears without the full play of imagination. A society whose imagination is retarded or stagnating is a society which is looking at a bleak future. That is why it is vital as a sustained effort, not least in our teacher training establishments and our

schools, to stress the importance of books and book reading at a time when these are under threat. Under threat from the persuasiveness of television, some of which is excellent and stimulating, but much of which is mundane and brain-numbing. Even the best television adaptations of good books are strangely thin when compared with the books themselves. All TV drama has a tendency to concentrate on intimate human relationships, perhaps this is dictated by the medium itself. The best drama is done consummately well, particularly in works written for the medium. But the excellent series "The Jewel in the Crown" lost from the novels that teeming, determining presence of India, and the politics and turmoil of a nation moving painfully towards independence, within which the last of the British Raj were caught up and buffeted around. In the recent television version of Bleak House, which evoked brilliantly the Victorian fog, I was sad that one of my favourite comic characters, Mrs Jellyby, was omitted. You may remember that she was "a pretty, very diminutive ^{from} plump woman of 40-50 with handsome eyes though they had a curious habit of seeming to look a long way off. As if they could see nothing nearer than Africa". For dear Mrs Jellyby, while neglecting her own children, devoted her life to collecting money for the natives of Borrioboola-Gha.

11. Books, and the development in children of a love of reading for its own sake; for the enlightenment it can bring; and for the engagement with language and authors, wrestling to create sense out of chaos and to carve some meaning out of absurdity, are under threat from some streams of educational thought and practice. For example, that which perceives books as simply another source of information, infinitely inferior to the electronic data base or

the programmed instruction manual. Also there are those who use books as a kind of hurdle to be overcome by dint of dutiful reading in order to answer, without any real understanding, a series of peripheral, pernickity questions: "Was Duncan's blood really golden?" or "What colour were Madame Bovary's eyes?" All this loses sight of, and causes some of our children never to experience, that sense of engagement with a common humanity to which Yeats referred when he said that reading great literature "eases the dreadful loneliness of man".

12. Interest in reading should not just be left to the teacher or the school. The parent can have a great influence and at an early age probably an even greater influence than school. There is now ample evidence to show that children benefit in language skills, in understanding and expressing themselves, if stories are read to them by their parents and their parents encourage them to read, and to talk about their thoughts and experiences. But alas it is all too easy to turn on "Bugs Bunny" or "Donald Duck" rather than take a book off the shelf and read it at bedtime.

13. It has become unfashionable to teach children the benefits of learning things by heart. I still remember having to learn many poems by heart and I still remember the lines of one of Shakespeare's Sonnets - Number 60 - which we had to learn and comment on:

"Like as the waves make towards the pebbled shore,
So do our minutes hasten to their end;
Each changing place with that which goes before,
In sequent toil all forwards do contend."

Learning by heart is not only good memory training, it also gives a sense of achievement. But it need not be a chore, far from it. Children who come to enjoy poetry by hearing it spoken well and speaking it confidently themselves, will learn it by heart if for no other reason than speaking poetry well cannot be done if your eyes are tied to the printed page. I suspect I shall be told by many educators that I'm old-fashioned. But being old-fashioned is not the same as being wrong.

14. Analysis of modern culture is a hazardous affair. Firm footholds in the marshy ground are few and far between but there are some very fine popular writers about, both of children's books and adult literature. I believe that all our children should be exposed to the great poetry and the classical literature of our past. But I also want to promote the habit of reading contemporary literature and to stress that it is still not only stimulating and educational but is also enjoyable. The novels of such writers as John LeCarré, Iris Murdoch, John Fowles and Beryl Bainbridge have very wide appeal. It is interesting that the production of novels on film or television still boost enormously the sale of the books. The television presentation of the "Mayor of Casterbridge", of "Hard Times" and "Howards End" ensured a substantial up-turn in the paperback sales of these classics. It would appear that the public demand reassurance from their global village media that the written form is acceptable or managable.

15. I would like to see bench marks for progress in English which actually set out lists of the sort of books or authors which children should be able to read and understand at particular ages and levels of achievement. For example, in the

case of children of average ability: Animal Farm by age 12 or David Copperfield by age 15. The details are obviously for discussion but I regard the principle as important. You won't be surprised to know that I am told this is too radical or too centralist or too dictatorial. More seriously I am warned of the dangers of setting minimum or maximum standards because minimum standards depress expectations and achievement and maximum standards not only hold back the ablest but discourage those who cannot reach them.

16. Of course I know that there is more to selecting books for children to read than gauging the difficulty of the language. "Animal Farm" is a deceptively simple book written as it is in the form of a fable in which animals talk. There is a risk that teachers and parents can be pushed by the presence of technical competence to introduce some books too early, before the necessary experience of life has developed in the reader the capacity to really engage with the book. We have all, I am sure, experienced this in that other medium of music when we have sat through performances of say a Bach partita by amazingly competent but totally non-understanding young musicians. All this needs more consideration. When I discussed this idea with a teacher engaged in the excellent but badly named Low Achieving Pupils' Project, he told me that a list of books would be OK but I ought to include such works as the Users' Manual for the latest 250cc Japanese motorbike. I take his point.

17. It is of course important that the new proper emphasis on the application and practical aspects of subjects as exemplified in the technical and vocational education initiative, in the GCSE and in the new City Technology Colleges, should not lead to any diminution of the appreciation of the magic and potency of literature. In particular I want to see a new emphasis on orality, on getting every child in a class to read aloud and communicate with the teacher and with other children, to have confidence in using words in all circumstances. I fear in too many of our schools passivity has been allowed to be the norm. I was talking recently at a poetry competition to a wonderful senior English teacher at a school in Suffolk which achieves notable results in creative and imaginative poetry. She stressed to me the importance of reading aloud to children, of reading stories and poems, of making children familiar with the beauty and intricacies of language, of encouraging children to read language aloud. And she comes up with the goods.

18. It must be right for any worthwhile system of education to have as one of its central purposes to make its pupils reflective users of our language: able to understand it as well as to use it; to be in control of it rather than at its mercy. But we should not so over emphasise the knowing about the language that we frighten our pupils by its very complexity, subtlety and almost infinite variety. Spotting the gerund or seeking out the subjunctive can become so dominant that our children gain the impression that the English language is locked away in large, dusty text-books in teachers' cupboards and that its secrets will be painfully and slowly revealed to those few who persevere

through trials and tribulations: a kind of pursuit of the Holy Grail.

19. That is not a true bill of goods. The English language is our children's birthright. By an early age they will all, with very few exceptions, have internalised most of its particular conventions and syntax in speech. They are from birth immersed in a living language through which they increasingly learn to describe, understand and control their environment; deepen and enrich their personal relationships; marshal and order their thoughts; and express their feelings. In teaching English it is the teacher's task to build on this. Our children through themselves using and experiencing language in speech, writing, reading and listening should come to respect and love it. They should not fear it for the snares of its syntax, nor regard the language used by them as an inferior form to that of great literature or of fine orators.

20. In the situation which I've described, I have come to the conclusion that a specific new initiative is needed. I will be appointing a high-level independent committee to recommend what pupils in our schools should know about the English language. The results will then need to be taken on board in teacher training and in classroom practice.

21. One of the great mysteries is that the language of the playground and the market place is the same as that of Shakespeare and Milton. The trick, pulled off daily by good teachers, is to explore how it is that common-place words in a particular order, in a particular context, can move us to

laughter or tears: can give us a fleeting glimpse into meaning that lies beyond words. On the face of it there is nothing complex about Houseman's

"On Wenlock Edge the wood's in trouble,
His forest fleece the Wrekin heaves.
The wind it plies the saplings double,
And thick on Severn snow the leaves."

But why and how does it flow so smoothly and so sadly; and what do these relatively plain words hint at beyond an Autumn wind in Shropshire?

22. To explore language like this, alongside that used in the thousand and one transactions of our mundane lives, in ways that generate competence, but which do not undermine the confidence to use words with freshness, felicity and vigour, is what I see as good English teaching. My test of quality is that our children emerge from the process with a love for our language; a proper respect for the right words in the right order; and with their linguistic competence enhanced. But above all they should emerge with the confidence that comes from knowing that the language belongs to them and is in their keeping for the time being, and that is both a reassuring and awesome prospect.

PRIME MINISTER

CB
Prime Minister²

RUSKIN COLLEGE: THE SELBOURNE AFFAIR

pps at top

1. The facts of the matter are not wholly clear, but in essence:

- i. Mr Selbourne published an article in The Times in March, at a time when the paper was in dispute with the print unions.
- ii. The Ruskin Students' Union condemned this action and sought a boycott of Mr Selbourne's lectures; some students were at their request transferred from Mr Selbourne as tutor. It is alleged that those who wanted to stay with him were intimidated.
- iii. Mr Selbourne claimed that he was prevented by students from carrying out his normal lecturing and tutorial duties, and that the College authorities did not take the steps necessary for him to be enabled to do so.
- iv. On 27 June the College's Executive Committee passed a resolution censuring Mr Selbourne for his action in writing to The Times during the dispute (the minutes of this meeting have not yet been approved and the significance of this and other resolutions passed at the time is not yet clear).
- v. Mr Selbourne left the country before the end of the Summer term, leaving a number of examination scripts unmarked. He has not returned to his teaching duties.

2. Legal proceedings are now pending. Mr Selbourne asserts that Ruskin College has in effect repudiated its contract with him; the College asserts that it is

Mr Selbourne who has repudiated his contract. This matter may come to an Industrial Tribunal or even to the High Court. However, at the insistence of Lord Goodman (whose firm are now acting for Mr Selbourne) the parties and their solicitors will meet shortly to see if a settlement can be reached.

3. George Walden has, with my full agreement, kept up the pressure on the College. He has:

- a. demanded an urgent explanation;
- b. told the House he was not reassured by the response. The Government favoured the education of Trade Unionists, but not when it is the intellectual equivalent of the closed shop;
- c. summoned the Principal to a meeting on Monday 3 November.

4. The next steps are for the College -

- a. to clarify further some of the points raised at the meeting, and
- b. to consider a new statement of the principles, which should inform their treatment of academic freedom and the procedures which should be followed, being prepared by the College's Academic Advisers, Professor A H Halsey, Lord McCarthy and Dr L Macfarlane.

George Walden is sceptical about this, and fears that there will be an attempt to smooth things over. He therefore has in mind an independent investigation of the College by an ex-Vice-Chancellor or someone of similar status.

5. He will also consider withholding a proportion of the College's grant if its replies to the questions which he

has put to them, on the outcome of the investigation, are not satisfactory - but we must not prejudge that. The Principal has asserted that the College's staff have, in both contractual and academic terms, the right to write for any newspaper they like, on strike or not.

6. Obviously the College has handled the matter badly, partly perhaps because it was under the care of the Acting Principal during the Summer term.

7. The freedom of speech clause in the Education Bill cannot guarantee that this type of incident will not recur: Ministers were careful to make clear in their speeches in Parliament that it was not a panacea for all such ills besetting universities and colleges. What it will do is to place a duty on everyone within these institutions to "take such steps as are reasonably practicable" to protect free speech within the law, and it will require institution authorities to construct codes of practice to secure that end. The burden is thus put on them to ensure as best they can that the clause is effective. It will oblige them to look again and hard at the arrangements and procedures needed for meetings, other activities - including the normal work of the institution - and the conduct of people within it. At least 2 universities which have suffered disruption in recent months are already doing this; the rest will now have to follow. This will help.

8. George Walden and I will continue to follow up matters at Ruskin - which costs the taxpayer over £1m (including bursaries) - and we intend to ensure that it acts as necessary to uphold the academic freedom of staff.

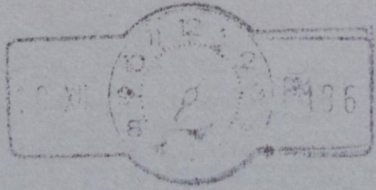
K.A.

KB

Department of Education and Science

10 November 1986

EDUCATION Policy PTIO





cc BS

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

6th November 1986

mt

Dear Alliance,

Prime Minister 4

Mr Baker has also written to MPs about teachers' pay.

Oct 7/11

UNIVERSITY FUNDING

Many of your constituents have written to me this year about the funding of the universities and science. I am therefore writing to let you know about the decisions that I announced this week.

Higher education as a whole and the universities in particular are major priorities for the Government. As the apex of our education system they produce work of the highest international standard and the Government recognises the contribution they make to national prosperity. Over the last few years we have been pursuing with the universities a series of reforms. These involve greater selectivity in research funding, better management techniques, the rationalisation of small departments and improved standards of teaching. Work on these is now well in hand, and as we promised earlier this year I have now been able to announce a substantial increase in the funding of the universities.

The recurrent grant to universities for the 1987-88 financial year will go up by £95 million, compared with the grant for 1986-87, an increase of over 7%. And equipment grant will go up by £6.5 million, an increase of over 6%. I have also said that I shall be willing to provide some further additional funding for the restructuring of academic pay in the universities if desirable managerial changes can be agreed at an affordable cost. I shall be starting discussions about this immediately.

This extra money will allow the universities to continue as the main provider of basic scientific research. In addition, the science budget of my Department for 1987-88 will be £39 million more than in 1986-87, which is an increase of 6.3%. Since we took office in 1979 the science budget has increased by 10.6% over the rate of general inflation.

These announcements are on top of the extra £54 million for 1987-88 - a rise of 8% - that we have already injected into the polytechnics and other colleges, which have worked so hard to increase their student numbers in recent years. It is important to appreciate that the number of students in the whole of higher education has risen enormously since we came into office. There are now almost 140,000 more students in higher education than there were in 1979, including an increase of 80,000 in the number of full-time students. The proportion of 18-19 year olds entering full-time higher education has risen from 12.4% to 13.9% and the number of mature entrants is up by 15%. It is my intention to increase the proportion of young people entering our higher education still further.

I hope that the universities, polytechnics and other colleges will see the increased funding that the Government has provided as a real mark of confidence in our higher education system and in its contribution to the country's future.

Home Office
Kenneth Baker

PRIME MINISTER

EDUCATION

I learned by chance this afternoon that Robert Armstrong and David Hancock have agreed between themselves that the three officials (Walter Ulrich of DES, John Anson of the Treasury, and a DOE official) should henceforth meet under Cabinet Office Chairmanship (Brian Unwin, with John Wiggins as Secretary) to carry forward thinking on radical education reform.

This looks quite an innocuous move, but all my instincts suggest that we ought not to let it pass without a thought. Quite why it has been suggested is unclear. Present arrangements for producing papers are working well, and there is a good atmosphere in the mixed Minister/official group. So why disturb matters? More seriously, the fact that the Cabinet Office are chairing the group would make it much harder to explain to Mr. Rifkind and Mr. Edwards, both of whom have education responsibilities, why they are not participating in the discussions. Robert will try to dismiss this point by saying it is not an official Cabinet group with a MISC number.

Maybe I am being too suspicious. But it would be a pity if the "official machinery" (even in the form of the superlative Brian Unwin) got too much of a hold at the early stage of this exciting initiative.

Robert will discuss this with you tomorrow.

N.L.W.

N. L. Wicks

6 November 1986

NKW was
held on to
Lord R's ltr.



ea

10 DOWNING STREET

From the Principal Private Secretary

6 November 1986

Dear Lord Rothschild

Thank you for your letter of 6 November.

There has indeed been some reference in our discussions to the arrangements in West Germany for the control and finance of education. But I will make sure their arrangements are fully covered in our material.

Yours sincerely

Nigel Wicks.

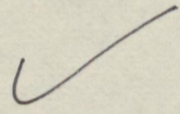
N.L. WICKS

The Lord Rothschild, G.B.E., G.M., F.R.S.

ea

23 ST. JAMES'S PLACE
LONDON SW1A 1NH
01-493 4795

6th November 1986



Dear Mr. Wicks,

I think I perhaps ought to have mentioned to the Prime Minister, in my letter of 3rd November about Education, that I believe the German system would repay study^{*} because I understand they have managed to combine central financing of Education with the delegation of quite an interesting part of the whole business to Local Authorities. It occurred to me that this might well keep them happier in this country.

*Yours
Rothschild*

Lord Rothschild

** I realise that this may have been done already.*

*Copy
100%
Frey*



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000
FROM THE SECRETARY OF STATE

David Norgrove
Private Secretary
10 Downing Street
LONDON SW1

5 November 1986

DHS
5/11

ccbg
Prime Minister
Agree to
endorse this
waronly?

Dear David,

Yes

COMMITTEE ON ENGLISH

1. The Prime Minister is aware that the Secretary of State is intending to establish a working group on the teaching of the English language. The Secretary of State would like to announce this intention in a speech on English that he is making on Friday 7 November. I attach a copy of the relevant extract from the speech.
2. The Secretary of State will submit formal proposals soon, including suggestions for the Chairman and composition of the committee. The establishment of a committee has been cleared at official level with the Treasury and the MPO.
3. I am copying this letter to Jill Rutter, Robert Gordon, Colin Williams, David Watkins, Michael Stark and Trevor Woolley.

yours sincerely
Rob Smith

R L SMITH
Private Secretary

mb

16. I have come to the conclusion that we should not let the matter drift on further and I will therefore be appointing a committee to recommend what pupils in our schools should know about the English language. The results will then need to be taken on board in teacher training and in classroom practice.

E.R.

DEW.
Should RTA be given the opportunity to come?

MR. NORNGROVE

I have arranged

A further meeting to discuss education reform is at 0900 on Wednesday 17 December. The following people will attend both meetings:

NCW
S. 10

- Secretary of State for the Environment
- Chancellor of the Exchequer
- Secretary of State for Education
- Mr. Heiser
- Sir David Hancock
- Mr. Ulrich
- Mr. Anson

cf.

CA done CR 6/11

Please write RTA. Mr Bird will come on 25/11 instead of Ulrich.

Thanks !!

DEW

(Caroline Ryder)

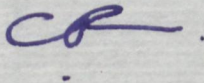
5 November 1986

Mr. Norgrove

EDUCATION REFORM MEETING

The Secretary of State for Education is overseas for the entire week beginning Monday 1 December.

So I have arranged this meeting for Tuesday 25 November at 0930. It is the same day as the Somerville College dinner. But this speech is of little importance and you will just have to get it finished the night before. Surely education is more important than some pompous dinner.....



CR

4 November 1986



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 November 1986

RUSKIN COLLEGE: DAVID SELBOURNE

The Prime Minister has asked if your Secretary of State could let her have a note giving his judgment on the above case, and in particular whether a situation such as this could occur under the new Education Bill. She has also asked why the Government is giving a grant to an institution which denies free speech.

BF // I should be grateful if you would let me have a note on these points.

Rob Smith, Esq.,
Department of Education and Science

P. A. BEARPARK

A handwritten signature in the bottom right corner of the page.

PERSONAL

Bm



10 DOWNING STREET

THE PRIME MINISTER

4 November 1986

Dear Victor,

Thank you for your letter of 3 November.

It would be wrong of me to comment on the article in the Sunday Times of 2 November. Suffice it to say that I have noted with interest the conclusions in paragraph two of your letter.

Yours truly,

Raymond

The Lord Rothschild, G.B.E., G.M.

SH
SH



10 DOWNING STREET

From the Principal Private Secretary

3 November 1986

Dear Lord Rothschild,

I am writing to acknowledge your two letters of 3 November to the Prime Minister.

I will draw your letter about education to the Prime Minister's attention tonight. I shall not draw your letter concerning the Annual Report of Biotechnology Investments Limited to her attention until the weekend when she will have more time to study it. It may therefore be a little time before you have a reply to that letter.

Yours truly
Nigel Wicks

N. L. Wicks

The Lord Rothschild, G.B.E., G.M., F.R.S.

057

PRIME MINISTER

You may remember that at Evelyn de Rothschild's party before the summer holidays, you mentioned that you would welcome Victor Rothschild's views on the future of education in this country. Accordingly, you agreed that I should write to Victor Rothschild setting out some of the questions in which you were interested.

Victor has now sent you the letter below which makes it clear that his thinking is proceeding on the same lines as ours.

I attach a short letter to send to him which gives a hint, without actually saying so, that your thinking and his are proceeding in the same direction.

N. L. W.

N.L. WICKS

3 November 1986

23 ST. JAMES'S PLACE
LONDON SW1A 1NH
01-493 4795

3rd November 1986

Personal

Dear Prime Minister,

(1) On June 2nd you sent me, through Mr. Wicks, certain questions to do with Education. I struggled with these questions during the Summer and the Autumn and had just reached the point when I intended to write to you. At exactly the same time an article appeared in The Sunday Times of which, though it is probably unnecessary, a copy is attached.

(2) What I had intended to say to you can be summarised as follows:

- (i) National Curriculum;
- (ii) Financing of School Education to be taken out of the hands of Local Authorities, i.e. no Rate Support Grant (for this purpose).

If there is any truth in The Sunday Times's report my points are already in hand.

*Yours
Victor*

Lord Rothschild

Tory plan to give sweeping powers to heads and governors

Schools to face historic change

THE government is preparing to revolutionise British education if it wins the next general election. Kenneth Baker, the education secretary, is intent on following up his decision to take control of teachers' pay away from local councils and the teaching unions with a historic bill giving head teachers and school governors new and sweeping powers.

Moves towards a common curriculum for schools are also being considered as part of the new legislation, which is likely to be trailed in the Conservative election manifesto. Baker considers that local education authorities have too much control over school curricula and that the emphasis needs to return to basic subjects.

Education is now guaranteed a front place in the run up to the general election. Baker's decision to abolish the traditional system of teachers pay negotiations between councils and unions and establish an advisory committee responsible to him is likely to come in a major bill in the new session of parliament, which opens next week.

If necessary, he will go over the heads of the teaching unions and appeal to the teachers direct to accept his new contract and pay offer, worth 25% over the 18 months from last March.

Baker's strategy is to follow his pay reforms with an even more radical bill after the election, sweeping away the present local-council barrier between government and schools and giving the schools wide autonomy.

Baker is impressed by an experiment underway in Cambridgeshire, where head teachers have been given the

by Michael Jones
Political Editor

power to run their schools and manage their budgets, in some cases over £1m a year, with a large degree of autonomy.

"Enlightened local authorities are prepared to do this," Baker told The Sunday Times last week. "But too many authorities are centralist and suspicious of heads." Devolving power to the schools, Baker believes, will also encourage the appointment of higher quality governors in place of those chosen purely because of their party affiliation.

"If we can build the authority of our schools as self-managing, self-governing bodies, we can do an enormous amount to enhance their status. The thrust of our policy is to put responsibility on to the schools, their heads and their governing bodies."

Baker considers the present divisions of opinion over the levels of achievement schools should aim at to be a damaging muddle. He does not aim to impose a uniform national curriculum on the French model but to ensure that schools base their teaching on "a few of the old landmarks, such as good English".

Mrs Thatcher shares Baker's strong views on teaching priorities. Baker made sure that she was closely involved in his proposals to set up a network of new City Technology Colleges, funded by central government, backed by local business but outside local council control. The CTC-plan, which has run into a storm of criticism by the Labour party and teacher

organisations, has tightly restricted curriculum guidelines of the kind Baker appears to have in mind for all schools.

CTC students may expect in their first three years to spend around 25% of their time on mathematics and science, 20% on design, 25% on humanities and 30% on other courses — a modern language, PE and games and the expressive arts. For their

fourth and fifth years, students would have limited options.

Hitting out at some left-wing councils in open conflict with their teachers, such as the London borough of Brent, where the three top education posts are vacant, Baker said: "They are transparent examples of how bad the situation can be when bigots take charge."



SUBJECT

CCMASTER

SL2ASY
1

10 DOWNING STREET
LONDON SW1A 2AA

3 November 1986

From the Private Secretary

EDUCATION WITHOUT LEAs

The Prime Minister this afternoon held a further meeting to discuss your Secretary of State's minute and paper of 23 October about education without LEAs. Present were your Secretary of State, the Chancellor of the Exchequer, the Secretary of State for the Environment, Mr. T. Heiser (Department of the Environment), Sir David Hancock and Mr. Walter Ulrich (Department of Education and Science) and Mr. John Anson. Professor Brian Griffiths was also present.

The meeting discussed the nature of the regional organisation which might be needed to operate between the DES and the schools (paragraph 21 of the attachment to your Secretary of State's minute). It was suggested that there was a risk of ending up with a compromise which would fail to secure the Government's objectives. The existing functions of LEAs should be allocated to schools to the very greatest extent possible, and the functions to be exercised by the Secretary of State should be kept to a minimum. Some intermediate organisation might be needed, but it should certainly involve no continuing role for local authorities. To allow such a continuing role would be a cause of continuing tension and would amount to an unsatisfactory compromise.

Others however argued that a proposal which would remove all role for the LEAs would run into overwhelming opposition. It would be most important to avoid jeopardising the achievements of the superb schools which existed under the present system in some areas. The morale of good staff in LEAs needed also to be protected.

Bringing this part of the discussion to a close the Prime Minister said the options would need to be further explored. Her own view was that it would be inadvisable to seek to remove all their functions from local authorities in the first stage. The aim should be to maximise the role of the schools and at the same time to decide the powers the Secretary of State would need to achieve the Government's central objectives, for example on the core syllabus and the setting of standards. The precise role of the County Councils would need to be further considered. But one possibility would be for them to act as agents for the Secretary of State in the

exercise of his major responsibilities and to be given some discretion on how they carried out less important tasks. The political control exercised by councillors would need to be restricted. The major role in setting capitation fees would need to be exercised by the Secretary of State.

The meeting then discussed further the LEA functions not exercisable by schools and colleges (paragraph 21 of the paper).

On protecting parental choice (indent (5)) it was noted that the power to make appointments to bodies receiving appeals would need to be removed from local authorities. Enforcement of school attendance (indent (6)) would be the responsibility of governing bodies in the first instance. A decision would be needed on who should be the prosecuting authority. Special schools (indent (7)) for the physically and mentally handicapped and for the severely maladjusted might need to be run by the intermediate tier of administration. This might be a residual function for the local authorities. Ordinary schools could be encouraged to take some difficult children by setting higher capitation fees. Of pay, pensions and training (indent (8)), pensions and training would probably stay as now; on pay, it was argued that the responsibility could be left to individual schools, which would be constrained by their income from capitation fees and other sources. Against this it was argued that schools would probably tend to band together into a national organisation which might lead to less variation in pay than if the main responsibility for setting a basic pay level rested with the Secretary of State. The Secretary of State would also need to take account of pay levels in setting capitation fees. It was suggested that the Secretary of State would need residual powers in order to maintain the quality of appointments to governing bodies (indent (9)).

The meeting then turned to the list of questions immediately below your Secretary of State's minute.

On the scope of the reform (question 7) the meeting noted the overlap between further education colleges and schools. It was agreed that the proposal would be in many ways easier to carry out for colleges of further education than for schools. The Prime Minister suggested that it would be worth considering whether further education colleges might provide the umbrella organisations for schools in their areas.

On the implications for local government finance and central Government taxation (question 8) the Chancellor of the Exchequer suggested that the proposal presented an opportunity to achieve greater accountability in local authority finance. If local authorities could be dependent entirely on local taxation, other than needs grant and specific grants, this might open the way to changing the treatment of local authority expenditure in public expenditure control. Non-domestic rates could be used to make up the shortfall in central Government revenue.

The Secretary of State for the Environment noted that this represented a different proposal from the one advanced in the Green Paper on Local Authority Finance. It offered an opportunity to consider whether rates represented an optimal form of taxation on business or whether alternatives might be preferable, though his own view was that rates were probably the right way to proceed. He was himself considering a proposal under which housing benefit would be administered by local authorities as agents of Government and the local authorities would meet the cost of the 80 per cent of the community charge not met by recipients of social security. Local authorities would then continue to receive the income from business rates. It was agreed that this proposal was worth further consideration.

Bringing the discussion to a close the Prime Minister invited officials to prepare further papers. These should discuss major areas of uncertainty in the proposal and set out practical options for consideration at a future meeting.

The papers will need to discuss, among other things:

- (a) the allocation of functions between schools, the DES and the intermediate tier, including the powers of headteachers and governing bodies, ownership of the schools, funding arrangements, and enrolment policies (which would cover the possibility of compulsory open enrolment);
- (b) options for the organisation of the intermediate tier;
- (c) financial implications and options for central and local finance;
- (d) the core curriculum and syllabus and the setting of standards.

I am copying this letter to Alex Allan (H M Treasury), Robin Young (Department of the Environment) and Trevor Woolley (Cabinet Office).

DAVID NORGRIVE

Rob Smith, Esq.,
Department of Education and Science.

SL2AJW



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 November 1986

Dear Mr.

FUTURE OF THE POLYTECHNICS

The Prime Minister was grateful for your Secretary of State's minute of 27 October about the future of the polytechnics. She would like this to be discussed with the same group who are considering education without LEAs. We shall be in touch to arrange a meeting.

The Prime Minister suggested that it would be useful before that meeting for a note to be circulated which would discuss in rather more detail how the proposal would affect local authority finance and the balance between ratepayers and taxpayers.

BF

I am copying this letter to Alex Allan (H M Treasury) and Robin Young (Department of the Environment) together with your Secretary of State's minute and paper.

Yours,

David

DAVID NORGROVE

Rob Smith, Esq.,
Department of Education and Science

to expire:
31/12/86. All
(told Dept) 24/11
SM.

PART 9 ends:-

BG TO PM 31.10. ✓

PART 10 begins:-

DRW TO DES 3.11. ✓

Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

