

B/F mfg Tuesday 1630 1

PRIME MINISTER

WIDER PARENTAL CHOICE

Attached is a paper by Keith Joseph which spells out in considerable detail the plans which he discussed with you before the Summer Recess. The paper covers action which Sir Keith is taking under the present system to extend parental choice, but concludes that this is not enough (paragraphs 3-4). He rejects, however, a full-scale move to a more-or-less free market system in education under which each school would derive its income from vouchers given by each parent. (Paragraphs 5-9). He proposes instead a two-limb voucher scheme:

- (i) the voucher would have a uniform stipulated value which could be offset by parents against the fees of an independent school; and
- (ii) the voucher would inform the parent of his rights to express a preference for a school in the maintained sector. Where a school was over-subscribed, the LEA could seek to increase its number of places by means of a grant. (Paragraphs 10-17).

Sir Keith's scheme would, he recognises, cost more, for example on vouchers for children at independent schools who would otherwise have gone to maintained schools, or those who would otherwise have been educated wholly at their parents expense, and on grants to extend the number of places at popular schools. (Paragraphs 18-33).

Sir Keith proposes that as a first step there should be two pilot projects in Conservative-controlled LEAs which would cost some £55 million over a five year period (paragraphs 34-43). Legislation would be required for both a pilot scheme and a national scheme. (paragraphs 44-45).

In conclusion, Sir Keith argues that a scheme will increase parental choice and thus parental responsibility for their

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children. It should also, by making schools' future depend on performance, tend to increase standards. This he argues would justify the increased cost.

Sir Keith has not copied his paper to colleagues and would like an early discussion of them with you, to be followed by wider discussions. I have sent a copy of Sir Keith's paper to Mr. Mount. Do you wish me to arrange a meeting with Sir Keith when Mr. Mount has had a chance to consider whether he wishes to give advice?

*Yes please
mt*

IF.

5 November 1982

PRIME MINISTER

WIDER PARENTAL CHOICE

1. In the past year I have considered whether, in order to increase responsibility and widen choice and I hope to improve to some extent educational standards, it would be sensible to introduce education vouchers. Under a voucher scheme the parent would be given a "voucher" having a specified monetary value, which in principle could "buy" for his child education at a school of his choice.

2. At present, school education in England is provided almost entirely in the public domain, and financed by central and local taxes. The public providers are not monolithic (there are 97 local education authorities and important voluntary bodies including the churches) and the teachers in the schools have great latitude in what and how they teach. But it is the providers who largely decide what is provided and how, and they are often slow to respond to the wishes and demands of parents. The performance of many schools leaves much to be desired. It is hard for those most immediately affected, the parents, to bring about improvements.

ACTION UNDER THE PRESENT SYSTEM

3. I am pressing ahead, with my present powers and within planned resources, with a range of policies for promoting parental choice, influence and involvement and for raising standards in schools. In particular:

- (1) I am seeking to improve the calibre and effectiveness of teachers through the necessary reshaping of initial training, and by securing better selection of recruits and better training courses for them with more regard for what they will have to do when trained. I am pursuing with local education authorities ways of improving the performance of more existing teachers by training where it is most needed (eg in the teaching of mathematics and the work of the headteacher) and ways of speeding up the early retirement of the less than adequate teachers.

- (2) LEAs and schools are being asked to review their policies for the curriculum, in the light of guidance from the Secretary of State, to make it more relevant to the needs of adult and working life; in support of this, new approaches are being promoted in the teaching of mathematics and science and, prospectively, modern languages.
- (3) I have launched a programme of development projects to improve the secondary education received by the 40% of pupils who are broadly non-academic.
- (4) With the help of the proposed new examinations council, which will take over part of the work of the Schools Council, the Secretary of State for Wales and I intend to improve the system of examinations at 16+ and 18+; and we are creating new opportunities for pre-vocational education for those who have completed their period of compulsory schooling.
- (5) HMI reports on individual schools will be published; and a more ambitious follow-up procedure will enhance their effect both on the inspected school and on others.
- (6) I am doing what I can to reduce the number of schools which as a result of falling pupil numbers are too small to offer a proper education (except at unacceptable expense).
- (7) The 1980 Act, which requires the appointment of parent representatives as school governors, is being implemented gradually.

4. Without significantly altering the present system, progress on standards could be speeded up if I could secure a new power to pay specific grants to selected LEAs, by redeploying existing resources on a modest scale, in furtherance of priority objectives. I shall shortly bring forward proposals.

A MOVE TO VOUCHERS IS NEEDED

5. But even with this modest improvement, the present system would still embody these serious defects.

- (1) Parental choice of school is seriously limited in practice. Our 1980 Act gives parents an unfettered right to express a preference for a LEA-maintained school. But this right often cannot be converted into a meaningful freedom of choice because popular schools are over-subscribed and LEAs are slow to improve the unpopular ones. But the escape route to an independent school is closed to most parents because they cannot afford to take it; our Assisted Places Scheme opens it only to some parents and then only if their children are unusually bright.
- (2) This lack of choice, coupled with the widespread fallacy that it is the job of the State to see to the schooling of children, and to do so without direct cost to the parent, discourages parents from assuming that responsibility for their children's schooling which our political philosophy and the law assign to them.
- (3) Because those parents who are concerned about the standard of their children's schooling are not as well-placed as they might be to bring pressure to bear on the performance of the schools, we are unable to exploit a potentially powerful engine for improving standards in schools.

6. It is possible to imagine a regime in which vouchers were used to alter fundamentally the balance of power between parents and those who provide and operate schools by giving the parent the financial power of the consumer in a free market, so that every school would depend on the parent's custom. Under such a regime each school would, in principle, receive its income from what the parents paid it by means of vouchers which the State gave to each

parent and which the school would encash from the State; it would need to be open to the parent to top up the voucher from his own pocket. The function of LEAs as the main providers of schools would become redundant; each school (whether profit-making or charitable) would operate as an independent entity; and the distinction between "independent" and "maintained" schools would disappear (though no school would be compelled to admit voucher-bearing children if it could operate entirely by charging fees paid by the parents themselves).

7. Such a regime would be intellectually coherent and compatible with our political philosophy. But before one could know whether such a wholly novel regime could be established, very difficult issues would have to be resolved. In particular:

- (1) Fixing the value of the voucher raises conflicting considerations. Some schools, however efficiently run, are bound to cost more than others, not just because older children cost more to educate, but also because unit costs in schools are bound to vary with size, the age of buildings and for other reasons; moreover some children have particular needs which are relatively more expensive to meet. If the value of the voucher represented the average cost for a particular category, those schools with above-average costs would either have to be subsidised - which removes the incentive to efficiency and distorts competition for custom - or some parents would find that their voucher bought less than it did for other parents. In effect some children would no longer receive free schooling; and their numbers would increase if the value of the voucher were set below the average costs of schools. But setting the voucher too high would add to public expenditure.
- (2) Since we have to retain a period of compulsory education, the parent/customer in every locality would have to be

guaranteed a school place. This would, for example, mean retaining poor and unpopular loss-making (and therefore State-subsidised) schools until their pupils could be accommodated elsewhere.

- (3) While many parents, through the power of the voucher, would oblige schools to raise standards or encourage new schools to be set up, many would not, if only through ignorance of the issues. There could be polarisation between good schools patronised by well-informed and concerned parents with well-motivated children and very poor schools patronised by parents of difficult children with little knowledge or concern about good education. Given that the taxpayer met the bill, Parliament would insist on reasonable standards and value for money and would not allow parents to settle, whether deliberately or by default, for low standards. We would need a greatly enlarged central inspectorate to establish and monitor minimum standards in every school which took voucher-bearing pupils, and other staff to enforce the standards. On the other hand there should be significant reductions in local authority staff.
- (4) The capital expenditure necessary for the effective operation of a consumer-oriented school market ought to be found by the market rather than by Government grant or loan. But the market would be alive to the political risk of investing in a regime which might not become quickly acceptable to the country at large. Initially financial inducements for capital expenditure would be needed.
- (5) Eventually competition between schools could be expected to improve efficiency and so reduce costs, and some contribution from the parents' own pocket might become the norm. But the transition to the new regime seems bound to increase public expenditure on school education, both because vouchers would have to be available to many of the 5% of parents who now pay fees at independent schools and because large changes of this kind involve frictional costs and douceurs.

(6) Unforeseeable problems are bound to arise, given the immensity of the change, in relation to the determination of teacher salaries and teacher training; the relationship between school and further education for those over 16; the functions and financing of local government; and many other issues.

(7) Above all, local government would resist its loss of power and would be supported by teachers and others with a vested interest in the present system.

8. In my view, these obstacles, coupled with the obvious political difficulties, rule out any attempt to go for a regime of the kind outlined in para 6. But I believe that we should now go for a scheme which should make it easier for parents to send their children to the school of their choice, whether this is an independent school or a maintained school.

9. In some other European countries parents have ready access to independent schools by schemes under which the state gives financial support towards the capital or current expenditure of schools set up by private individuals, particularly groups of parents, of up to 85% of what it provides for the average school in the state system. I have examined the schemes of this kind which operate in Denmark and the Netherlands. In both countries, virtually all private schools are substantially state-supported and in many ways they fill the place assumed in our system by the voluntary aided schools: there is, in effect, no wholly independent sector of the kind that has grown up in England. Moreover, springing as they do from different national traditions of education, these schemes also assume the close control over the curriculum and examinations which the state exercises in these countries. The application of such schemes to our independent schools would imply a level of state support more generous than we could contemplate: and any savings brought about by a resultant shift of pupils out of the maintained sector could only be realised in the longer term. I do not therefore think that we should, at this stage, seek to promote wider parental choice by trying to adapt the Danish and Dutch schemes to English conditions.

THE PROPOSED SCHEME FOR PROMOTING PARENTAL CHOICE

10. I propose instead that we should announce, for action in the next Parliament:

- (1) A national scheme under which every parent would receive a voucher. The scheme would have two limbs:
 - (a) the parent could present his voucher, which would have a uniform stipulated value, subject to a means test, at any independent school participating in the scheme which would admit his child as a day pupil in payment towards that school's fees for age 5-18 inclusive. Since he would be spending public money, we ought to secure a reasonable standard from the schools in question. All independent schools now have to be registered, but the very low standard required for registration would be too low for entry to the scheme. I envisage that a participating independent school would need to satisfy additional conditions eg in relation to the curriculum it offered and its teachers. Limits would be set to the fees charged by participating schools.
 - (b) The voucher would also inform the parent of the arrangements for extending parental choice in the maintained sector and remind him of his rights to express a preference for a school under the 1980 Act. Under this second limb of the scheme an LEA which was willing to incur extra expenditure so that it could satisfy more parental preferences for the schools it maintained could propose a scheme for more open enrolment to the Secretary of State. If he approved the scheme, the LEA would receive a specific grant towards expenditure under the scheme. ~~The voucher given to every parent would inform him of the arrangements for such schemes and remind him of his rights to express a preference for a school under the 1980 Act.~~
- (2) Government guarantees for capital expenditure, at the discretion of the Secretary of State, to enable independent schools to start up or expand under the first limb of the national scheme; this arrangement would apply only until the scheme was successfully established.

- (3) One or more local pilot projects, to precede the national scheme, to throw light on the detailed problems to be overcome in operating simultaneously both limbs of it.

11. The first limb of the national scheme (outlined in para 10 (1) (a)) would apply to far more parents than the Assisted Places Scheme, which is essentially a scholarship scheme for bright children from poor families at a limited number of schools of high academic standing. (Eventually the new scheme might incorporate the Assisted Places Scheme.) It would give to many more parents the ultimate weapon against maintained schools which they regard as unsatisfactory: the ability to shop around in the independent sector. The scheme would stimulate some shift from public sector to private sector schooling, and would be designed to put the public sector on its toes.

12. The second limb of the national scheme (outlined in para 10 (1) (b)) would make choice more effective also for parents who continued to use the maintained sector by enabling more of them than at present to secure the maintained school of their choice. This extended exercise of parental choice within the maintained sector (taken together with the movement out of it stimulated by the first part of the scheme), would put more effective pressure on the less popular schools to adapt their performance to parental demands, and on the maintaining LEA to improve or to close them. The second limb of the scheme is an essential complement of the shift out of maintained into independent schools envisaged under the first limb. Such a shift would at best be very gradual and those parents who could not, or did not wish to, educate their children in an independent school would need to be offered a broadly similar opportunity of choice within the maintained sector.

13. A two-limb national scheme on these lines would rightly be seen as a very substantial change in the existing school system in England. It could substantially increase the providers' dependence upon the good opinion of parents. Although State support for the benefit of parents who send a child to a school outside the State system is not unprecedented, the first limb of the proposed scheme would greatly exceed in actual and potential scope such precedents as the former direct grant school arrangements or the Assisted Places Scheme, and would therefore be applauded, suspected or attacked far

more, and for similar reasons, than these much more marginal schemes. Our opponents would, for example, stress the risk that in many areas the maintained sector would be left with second-rate schools patronised only by the ill-informed parents of the less able children. So it would be crucial to make a success also of the second limb of the scheme, to present and develop the two limbs as an integrated operation, and to get right the balance between them.

Some important constraints

14. No scheme could guarantee the complete satisfaction of parental choice. There are unavoidable constraints. One is geography. In the more sparsely populated areas, the number of educationally viable schools accessible to a child is bound to be limited. Another constraint is money. The ease with which parents could opt for an independent school would often depend on how generous one could make the first limb of the voucher scheme, and on how much parents could themselves find to cover any difference between the voucher and the fee. Similarly, to expand good and popular maintained schools and to improve the bad and unpopular ones entails additional net expenditure. New places can rapidly be created in popular schools, but the extra expenditure cannot be offset by simultaneously realising the savings from taking out of use the surplus places in the unpopular schools. Some of the unpopular schools continue to be needed to secure sufficient school places in the area. Moreover, the satisfaction of parental choice would increase the cost of transport either to the local authority or to the parent or to both. A third constraint arises from policy considerations. For example, to expand a popular school beyond a certain size would damage its quality; and if a LEA fails to raise standards in the generality of the schools it maintains, the effectiveness of parental choice in that area is plainly reduced.

THE FIRST LIMB OF THE SCHEME

15. I propose that the nominal value of the voucher should be the national average pupil cost, as calculated in our public expenditure plans, for the primary phase ie 5-11 (£750), the compulsory secondary

phase ie 11-16 (£1,040), or the 16-18 phase (£1,650), as appropriate. Thus the parent could receive, for spending at an independent school, what we would, on average, have been prepared to spend on his child from public funds at a maintained school. A voucher of such a value would cover most of the fees of most of the existing educationally satisfactory independent day schools, leaving the parent whose income made him eligible to secure the full means-tested voucher to find something of the order of £300 a year from his own pocket for the age group 5-16, and less or nothing for the age group 16-18. To ensure that less than affluent parents were not priced out of the scheme, and to prevent abuses in fee-charging, it would be a condition of participating in the scheme that the independent schools concerned did not charge fees above a limit prescribed by the Secretary of State, (who would have discretion to raise the limit in special cases). The prescribed limit would be set at around £500 a year above the nominal value of the voucher. (A similar power to place a ceiling on fees is now exercisable under the Assisted Places Scheme.)

16. It would be argued, for example by the LEAs, that the independent schools in the scheme were enabled by the Government to compete unfairly with maintained schools because they were in effect allowed to receive as much State money per pupil as the average maintained school and could charge the parent a fee on top of that. This argument would be partly met by the availability of additional money for some maintained schools under the second limb of the scheme. I would not, however, favour making it a condition of an independent school's participation in the scheme that it should limit its fee to the value of the voucher. Not only would this be, and be seen as, an unjustifiable attack on the normal fee structure of independent schools. Very few independent schools could maintain their present scale and quality of provision under such a condition, particularly where for entirely legitimate reasons of eg geography

or size they were bound to incur relatively higher costs per pupil than the national average for a maintained pupil.

17. Participating independent schools would wish to remain free to decide which voucher-bearing children they admitted and should, I believe, be allowed this freedom. The success of the scheme would depend considerably on the collective readiness of the participating schools to take children of all abilities and from all backgrounds. I would hope that the schools would operate admission policies which corresponded to parental demands. If not, the Government would have to be ready to try to persuade the independent sector to do so, and to encourage the formation of new schools to that end eg through the guarantee for capital expenditure.

Public Expenditure Effects

18. The effect of the first limb of the scheme on current expenditure would be threefold. First, some parents who would otherwise have sent their children to a maintained school would send them to an independent school. It is impossible to forecast how many such parents there would be year by year. Initially, there would be few spare places at existing independent schools, and the rate at which these would expand, and new ones were set up, would depend critically on the political climate, the generosity of the scheme from the point of view of parents and of any guarantee for capital expenditure on expanding or creating independent schools. The extra financial benefit to the parents would not initially be accompanied by a saving in the maintained sector, for the reason set out in para 14. Savings would eventually materialise but they would lag behind the extra expenditure. Experience shows that though any loss of its share of RSG resulting from a fall in the numbers of pupils at its maintained schools ought to spur an LEA to make savings, practical and political considerations inhibit some LEAs from making those savings, or making them quickly.

19. Second, insofar as the movement of parents out of the maintained sector created pressure for higher standards within it, this would generate some extra expenditure by LEAs with a view to

making unpopular maintained schools more popular. Fixing the value of the voucher at the national average for the phase in question would make it relatively more valuable in areas where the average place in a maintained school cost less than the national average. In such a situation the LEA would have a special reason for increasing expenditure on its maintained schools so that they could better compete with the independent schools participating in the scheme. The Government would, as now, influence the level of such expenditure through the RSG and the arrangements for abating it; but it could not control it.

20. Third, there would be extra public expenditure in respect of those children who would otherwise have been educated wholly at their parents' expense. It would not be practicable to exclude those already at independent schools from participating in the scheme since their parents could readily circumvent any such exclusion. As Annex A explains, the extra cost of the dead-weight would be reduced by the exclusion of boarders, pupils domiciled abroad, and certain independent schools who would not wish, or would not be allowed, to join the scheme; and by making the voucher (if spent at an independent school) subject to tax or a special means test; and could be further reduced by confining the scheme to one phase of schooling; and by introducing it gradually, starting with a particular age or phase. But we should remember that some of these measures would reduce the use which parents made of this part of the scheme and thus its effectiveness and popularity. This issue affects the choice of means test; if the voucher were taxable, well-paid and rich parents could get some benefit from it. If the means test used for the Assisted Places Scheme were adopted, parents with an income above a certain level would receive no benefit at all.

Capital Expenditure

21. Most independent schools now have few spare places, and over the last few years new independent schools have opened at roughly the rate at which existing ones closed. Until the national scheme was well established and was seen to be durable, the commercial and political risks of starting up a school, or substantially expanding

an existing school, would be likely to deter entrepreneurs, charitable trusts or groups of parents from the capital expenditure necessary to meet the parental demand created by vouchers. It seems to me inescapable that, at the outset, those wishing to incur such expenditure should have access to a fairly generous government guarantee for their capital expenditure, though I recognise that the guarantee would be called off if the scheme or the school in question were unsuccessful.

Financial mechanism

22. Many LEAs would resent a scheme which helped private education. It might not be easy to ensure that all LEAs co-operated in operating the first limb of the scheme, eg that they issued vouchers and paid the participating schools the amounts represented by the vouchers spent there by parents. Alternatively this limb of the scheme could be operated entirely by the Government. But this would mean a substantial increase in civil servants and would make it harder to fit conveniently into the arrangements for the second limb. If the vouchers were taxable, there might be a case for operating the scheme entirely by the Government through the tax system.

23. The cost of vouchers spent at independent schools would be most conveniently financed out of an earmarked Government grant, payable as a specific grant (not necessarily at a 100% rate) if LEAs operated the scheme.

Manpower

24. It would be necessary to establish that every participating school satisfied the conditions of participation. Without becoming either vexatious or pettifogging, this process would still entail a substantial increase in central inspection which would have to be relatively far more intense than in relation to maintained schools since Government would be more directly responsible both for standards and for the expenditure of public money. There would also be extra work on enforcing the conditions. Machinery would also be

needed for appeals against exclusion from the scheme. Although schools of known high quality would not need frequent and thorough inspection, others would. HMI would have to be substantially enlarged and recruiting procedures speeded up; and it would not be easy quickly to find enough additional inspectors of the necessary calibre and expertise. There would also need to be substantial increases in other staff.

Limitations on the scheme

25. I do not propose to apply the first limb of the scheme to education before age 5, or to handicapped children who are the subject of a Statement under the 1981 Act. After the compulsory period, many children now continue their full-time education in colleges of further education. I do not at present envisage that the voucher scheme should cover those that do this, because the maintained colleges of further education are not generally a cause for dissatisfaction.

THE SECOND LIMB OF THE SCHEME

The problem is financial

26. At present an LEA (in the case of a county school) and the governors (in the case of a voluntary aided school) are relieved of the obligation to give effect to the preference expressed by a parent for a particular school if to do so "would prejudice the provision of efficient education or the efficient use of resources". This relieves the LEA or governors from the obligation to create new places at an oversubscribed school if places are available in other similar schools in the area. But provided it is willing to spend extra money for the purpose, the present law permits the LEA to do this in the interest of more open enrolment; and Kent have begun to do this in one part of their area by expanding certain popular secondary schools. The discretionary assistance which some LEAs give to transport of pupils to and from school (which is often limited to pupils attending denominational schools) is also another

existing instrument for securing greater parental choice of school. Plainly no LEA would wish to use its freedom to do this so as to make a school too large for good education. But within this kind of constraint, money is the main present obstacle to more open enrolment in many areas.

27. Measures to achieve more open enrolment may give rise to extra expenditure under the following heads:

- (1) Capital expenditure for creating additional places at an oversubscribed school.
- (2) Additional current expenditure on staff and other items in respect of the newly created places.
- (3) Additional expenditure on school transport to facilitate enrolment from further afield, particularly in more sparsely settled areas.
- (4) Higher costs per pupil in the schools which are increasingly undersubscribed, until such time as they can be closed, so that quality of provision does not suffer unacceptably. (These are the familiar diseconomies of scale which accompany falling school rolls.)

As noted in para 14, the savings achievable from taking out of use the surplus places in the undersubscribed schools lag behind the extra cost; and any extra expenditure on school transport is likely to be a permanent net addition.

28. The encouragement to LEAs to spend extra money for more open enrolment would have to be via a specific grant, since the mechanism for distributing block grant does not permit directed assistance to LEAs for such expenditure at a uniform rate.

Local schemes

29. I envisage a discretionary power enabling the Secretary of State to pay grant to a LEA towards the cost of implementing a scheme for its area approved by him for the better satisfaction of

parental preferences expressed under the 1980 Act, provided that he was satisfied that the scheme did not prejudice the efficient use of resources. It would be for each LEA, if it wished, to propose a scheme, in consultation with the governors of voluntary aided schools maintained by it, and he would approve it only if he were satisfied about the proposed use of resources, and subject to any conditions imposed by him to that end. The scheme could apply to the whole or parts of the LEA area, and to all or specific phases or categories of school. The total specific grant, which might be at a rate of 75%, would represent an addition to the total of Exchequer grants to local authorities. But it would be cash-limited, and this would in effect determine the rate at which schemes were approved, their scope, and the rate at which each LEA would implement an approved scheme.

30. I envisage that:

- (1) Some LEAs would not in practice secure approval for a scheme, (assuming they sought it, and some might not) because too few of the schools they maintained were seriously oversubscribed; or because there were too many surplus places in the schools they maintained; or because the proposals did not appear to achieve more open enrolment in a way which gave value for money.
- (2) A scheme would be approved only if the LEA set out its proposals in some detail, including an upper limit for the number of places to be added to each oversubscribed school; a lower limit of filled places for each undersubscribed school which, if breached, would oblige the LEA to submit proposals to the Secretary of State for closing the school under the 1980 Act (which he would consider on its merits in accordance with the Act); its policies on assistance over school transport; and its policies in regard to provision (eg in relation to staffing and the curriculum) at undersubscribed schools which it would continue to maintain.

- (3) It might sometimes be a condition of approval that the LEA considered a reorganisation of some of its school provision and submitted statutory proposals in the light of that consideration, or took other steps to take surplus school places out of use eg by removing temporary accommodation or closing down parts of a school.

31. A discretionary power of this kind would not be easy to operate both effectively and fairly, and guidelines would have to be established on certain matters. I think it would help to limit the scope of the grant to current expenditure arising from the creation of new places at existing schools and on assistance with school transport (items (2) and (3) in para 27). To pay grant towards high unit costs in schools where rolls are falling (item (4) in para 26) would be too open-ended for comfort: it would be impossible to establish whether such extra expenditure would have been incurred anyway by the LEA in the discharge of its responsibilities.

32. Where a scheme was approved it would also be necessary to allow the LEA or the governors of voluntary aided schools to incur the extra capital expenditure involved in creating new places. This would mean some addition to the amount of capital expenditure which LEAs are allowed to incur and some increase in the 85% grant paid to voluntary schools towards capital expenditure incurred by them.

Public expenditure aspects

33. The cost of the second limb of the scheme would depend on the willingness of the LEAs to submit proposals (and find 25% of the cost) and on our readiness to approve them. The current cost of each additional school place is likely to be somewhat less than the average cost per pupil, which is now £750 for primary pupils and £1,040 for secondary pupils aged 11-16. After allowing for some extra expenditure on school transport, additional current expenditure of say £10m in the first year might secure about 20,000 new primary places or about 15,000 new secondary places in over-subscribed schools. To secure the same number of new places in subsequent years would entail a growing increase in expenditure

rising to £50m in year 5. (There would gradually be some off-setting savings from taking surplus places out of use, but they would lag well behind.) The capital cost of the extra places, spread over several years, might be up to £250m if they were primary and up to £300m if they were secondary. Some of the extra capital expenditure might prove nugatory if the extra places became surplus because parental preferences had changed. All these figures are at current prices: by way of comparison, I estimate that, on our present expenditure plans, falling school rolls will yield an annual saving of some £200m by 1985-86. The second limb of the scheme would also entail some extra manpower in central and local government.

PILOT PROJECTS

34. If we decided to aim at a national scheme on these lines, we would need first to familiarise parents, the public, and many of our own supporters, with its essential concepts, and to show that it was administratively practicable and educationally virtuous. DES Ministers would be ready to undertake the extensive political campaign needed. But what we said would carry much more conviction if we could show that it worked on the ground. This is best done by local pilot projects which extend the process of familiarisation; test the underlying assumptions of the national scheme; and throw light on the practical and other problems that we might encounter in that scheme. While many of our supporters are sceptical of applying the voucher concept nationally, fewer would, I believe, oppose trying it out through pilot projects.

35. We do not know whether any LEA would be prepared to undertake a pilot project if it were formally invited to do so. But after informal and confidential discussions at the political level, Kent have gone so far as to send me a memorandum, reproduced in full at Annex B, which illustrates the uncertainties requiring resolution before this LEA, or another, could be expected to mount such a project. There are other LEAs whom we are prepared to approach. But if in the event no LEA were willing to come forward, we would then need to consider whether it would be possible to go ahead with the national scheme.

Choice of Areas

36. We would need to entrust the pilot projects to LEAs who were willing, indeed enthusiastic. Since the two limbs of the national scheme are politically inseparable, the pilot schemes would have to test both. But it would not be feasible to compel a LEA to operate the second limb, nor for the Secretary of State to operate it if the LEA refused; in either event there would be serious damage to the relationship between central and local government. Moreover only a willing LEA could hope, given the inevitable teacher and political opposition, to make a success of the project and to persuade existing independent schools, and those who might be induced to establish new ones, to participate in the project to the extent necessary to make it succeed.

37. These considerations limit the choice to Conservative-controlled LEAs. Others could not, I believe, be persuaded by financial inducements to abandon their ideological objections. This means that we would be unlikely to stimulate a pilot project in an inner-city area. But we should try to pick at least one LEA which is largely urban.

38. It seems essential to conduct at least 2 pilot projects. We need to test the national scheme in more than one region and not only with LEAs from that minority who, like Kent, still operate selection in their secondary schools; and the projects should, between them, extend to both the primary and the secondary phase. Moreover no LEA will wish to be the only guinea-pig. Those who accept this role will wish to be seen to be invited to take it on by the Government.

Cost

39. We should assume that any LEA pilot project would extend only to a part of its area, but one sufficiently large to make the exercise worthwhile and meaningful. Subject to that, the pilot schemes would as far as practicable mirror the national scheme, and

also consist of 2 interrelated limbs. They would need to last 5 years to permit the proper evaluation, and we would have to be ready to terminate a project prematurely if it went seriously wrong or the LEA wished to pull out. The cost of the first limb of the projects would be means-tested on the same basis as under the first limb of the national scheme, and would be considerably affected by the extent to which spare places already exist in the area's independent schools; the dead-weight cost in that area; and the extent, if any, to which new places were created at existing or new independent schools, with or without a Government guarantee for the capital expenditure involved. But I doubt if this limb of a project would cost more than about £1m in the first year, apart from capital guarantees.

40. The second limb of a project - promoting open enrolment - would in principle be limited by what one chose to spend. The cost would depend on whether the project related to the primary or the secondary phase, or to both. But £1m of current expenditure in the first year might secure an extra 2,000 primary or an extra 1,500 secondary places, with perhaps some allowance for extra transport costs.

41. These necessarily very approximate calculations suggest that by the 5th year 2 pilot projects might involve extra current public expenditure of £20m, somewhat reduced by the savings from taking out of use surplus places at unpopular schools, plus perhaps £25 - 30m of capital expenditure, and a further £5m on guarantees, over the 5-year period. There would also be some increase in manpower at national and local level.

Financial Mechanism

42. Government assistance for the extra current expenditure for pilot projects, like finance for the national scheme, could not reach the LEAs concerned via the block grant mechanism which is not capable of acting as the channel for such specific subsidies to particular local authorities. For the pilot projects too the grant

would have to be specific. It would be natural to use the same rate for both ie 75%. This would give the LEAs sufficient financial stake to make unnecessary detailed supervision by the DES, and would make it easier to justify singling out certain parents in the pilot LEAs for the benefits conferred by the project. It would be necessary to ensure that extra expenditure eligible for the specific grant did not involve the pilot LEAs in loss of block grant, eg through hold-back. Requiring a 25% contribution from the pilot LEA would also establish how far the LEA wished to take advantage of the fact that the Government could not get pilot projects going except on terms acceptable to the pilot LEAs. A 75%/25% split would make pilot projects a partnership in which the Government provided most of the money and monitored the result, but the LEA managed nearly all the details and took responsibility for managerial effectiveness and value for money.

Independent Schools

43. Under existing law, independent schools have a statutory relationship with the State not via the LEAs but via the Secretary of State. As in the national scheme, responsibility for admitting independent schools to a pilot project would rest with the Secretary of State (though the pilot LEA could solicit applications and make suggestions to him) on the basis of criteria and standards determined by him. This function would call for additional staff in HMI and the rest of DES, and throw light on the implications of the national scheme for HMI manpower.

LEGISLATION

44. Legislation would be required to introduce both limbs of the national scheme eg to empower the Secretary of State to lay down and enforce standards for participating independent schools; to oblige LEAs (or empower him) to run the first limb of the scheme; to empower him and LEAs to operate the second limb; and to create the necessary new financial mechanisms. Legislation would also be needed for the pilot projects eg to empower the Secretary of State

to assist the LEAs concerned and to make secure the legal basis on which the LEAs piloted the first limb of the national scheme.

45. I doubt if it would be wise or practicable to legislate for the national scheme and pilot schemes in the same bill. By definition, the pilot schemes are intended to test the feasibility of the national scheme. We would need to have a clear idea about the national scheme before we supported pilot schemes, otherwise the latter would lose much of their value. But we would have to be ready to alter our ideas about the national scheme in the light of our experience of the pilot schemes. I therefore envisage that we would seek to enact the bill for pilot schemes in the first session of the next Parliament (which would not rule out publishing it towards the end of this Parliament and even enacting it if the Parliament is long enough). I envisage an interval of perhaps 3 years between the enactment of this bill and that of the bill for the national scheme; but the date of the latter, and its implementation date, would depend on the progress of the pilot projects.

GENERAL CONSIDERATIONS

46. I recognise that my proposals entail additional public expenditure at a time when we are planning to reduce it. I would however advise against linking with them measures for savings which we would not otherwise have pursued, since this would add to the political difficulties of making the proposals acceptable to the electorate. But there are already measures for savings which we are, or shall be, pursuing. I would hope that we might agree to give first claim on these savings to a change in our schools system which I regard as central to our philosophy and policies.

47. It is incontrovertible that the change would increase parental choice, and thus the parent's sense of responsibility for the education of his children. But there is room for argument about how far the change by itself would improve standards. To a limited extent, it would help to satisfy preferences which ought, if

possible, to be satisfied but which do not in themselves have educational standards in view. For example some preferences are aimed at securing a place in a single-sex or denominational school. It could also be argued that my proposals would encourage and tend to perpetuate a polarisation between good and bad schools, with the latter getting gradually worse. It could be argued that parental perceptions of what makes a school good or bad are often wrong because many parents are not well placed to make that judgement or have too limited or slanted a view of education, or judge education in relation to their own experience of it as pupils and students. I do not share such views. They certainly cannot be proved. But they cannot be disproved either. Attitudes on this matter are influenced by our philosophical convictions and by how we define standards.

48. At all events I would not claim that my proposals would by themselves raise standards as I would wish in the maintained schools since other measures, such as the policies outlined in para 3, are needed to bear on such matters as the overall quality of teachers and the effectiveness of their deployment. But my proposals have great potential for reinforcing these measures. Whether this potential would be fully realised only time could show. If all went well, parental pressures on and involvement in the maintained schools would make all LEAs and schools more determined than many are now to secure a performance which, mutatis mutandis, could stand comparison with that of the better independent schools, and so make it impossible for our political opponents to abandon the national voucher scheme if they came to power. But we would need to do all we could to counter the risk that parts of the maintained sector might become sullen, demoralised, and content to provide only a second-rate schooling and to meet only the aspirations of parents with a narrow horizon.

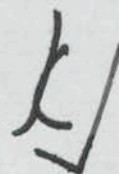
49. One of my colleagues remains sceptical about the national scheme. He points out that it must remain uncertain whether we would succeed in establishing the scheme: and that we can predict with certainty the additional problems for schools which would derive from making them once again the object of prolonged and

bitter political argument and disruption. We might have ten years of argument and fail to establish the scheme in the end. Equally he remains to be wholly convinced about whether the scheme would actually work. None of us, however, doubts that the only way to settle the argument is to do a thorough-going pilot scheme. And even the doubter would be delighted if the pilot scheme showed his doubts to be unfounded.

50. Finally there is an awkward issue of nomenclature. People are getting used to the term "voucher" and I have used it in this paper. But my proposals are not about a new kind of educational entitlement exemplified by a special kind of cheque (which is what one would have in a market-type regime of the kind referred in para 6). They are about wider parental choice and the mechanism for securing it would give parents a booklet of information, rather than a piece of paper resembling a cheque. Calling these proposals a voucher scheme could confuse the public and expose us to the ridicule of our opponents. But changing the terminology could also cause confusion and mockery. What seems clear is that if we were to change it, we ought to do so soon.

CONCLUSION

51. I should like to be able to announce fairly soon that the proposed pilot projects and national scheme are under consideration, for possible legislation in the next Parliament. I should value an early discussion of my proposals with you, and subsequently with other colleagues most directly concerned.



5 November 1982

THE "DEAD WEIGHT" COST OF VOUCHERS

1. On the face of it, the full extra cost of giving vouchers valued at the average unit costs in the maintained sector to all parents already using the independent sector would be about £500m at 1981/82 prices, made up as follows:

	£m
217,000 primary x £750	163
215,000 secondary (11-16) x £1040	224
67,000 secondary (16-18) x £1650	<u>111</u>
	498

At 1983/84 prices, this initial gross figure would be about £560m. However, there are various factors which point to the actual "dead weight" cost being about half of this or less.

BASIC REDUCTIONS

2. Not all schools would wish to participate in the scheme. On the basis of experience with the assisted places scheme, about 20% of independent secondary schools would not wish to participate. There is, perhaps, the likelihood of greater interest in the primary sector with, say, only 10% of such schools taking a similar line. Overall, this would reduce the gross cost by some £100m.

3. At the same time, some schools (probably none of those discussed in paragraph 2) are likely to fall short of the minimum standards required for participation. Under the former non-statutory "recognition as efficient" arrangements, about 15% of secondary schools and 25% of primary schools were not so recognised. Applying the same proportions here would indicate a reduction in the gross cost of some £100m.

4. Vouchers would presumably not be available to children from overseas whether or not their parents were British nationals (but see paragraph 7 in relation to children from Service families etc). The saving in respect of the 35,000 children involved would be about £40m but many of these children would be in schools discounted under paragraphs 2 and 3 above. Perhaps no more than £20m would be saved here.

5. The coverage of vouchers could be limited to non-boarding places only. There are 126,000 independent boarding places indicating a saving of £140m. Many of these places would, however, be in schools excluded by paragraphs 2 and 3; and some of the boarders would, in any case, be excluded by the overseas criterion in paragraph 4. The savings under this head could be only about £70m.

6. Taken together, paragraphs 2 to 5 indicate a possible saving of about £290m on the initial gross cost of £560m. Given the approximations involved, it would be best to represent this as an approximate halving of the gross "dead weight" costs. Savings of about 50% are also found if the primary and secondary sectors are treated separately (see paragraph 11).

7. It is conceivable that some further savings may be possible on, for example, the assisted places scheme (which will cost about £40m a year when it is fully implemented) and on the £40-£50m paid each year by MOD and FCO to their employees as boarding school allowances. Another potential source of savings is that part of the £130m spent by LEAs taking up independent school places other than in relation to "special educational needs". Where these places are justified on the grounds that LEAs cannot make suitable provision in schools they maintain themselves, however, the places would need to go on being provided free of charge. How much would be saved by these means is hard to quantify and would in any case depend upon policy decisions that are in themselves potentially difficult. This paper has not made any assumptions at this stage about these additional factors.

FISCAL REDUCTIONS

8. The eventual gross cost could be further reduced by fiscal means. Simply making the voucher taxable if it were redeemed at an independent school would yield savings of about a third leaving a net cost of about £200m. If a greater clawback at higher income levels were required, a specific means test could be applied. A quickly tapering means test on the lines of that used for the assisted places scheme could yield savings of about 80% leaving a net cost of about £55m. A suitable means test could be devised to meet whatever results were required but the greater the clawback, the more difficult it could be to present the voucher as a real agent of choice. A specially devised means test would be more expensive in public sector manpower than making the voucher taxable.

EXTRAPOLATIONS

9. These tentative figures relate only to the dead weight cost on the introduction of a voucher scheme. They could not be readily extrapolated. The voucher would presumably be attractive to a number of low-income families from whom any clawback under paragraph 8 would be low. In addition, the availability of vouchers only at certain schools willing and suitable to participate in the scheme seems bound to lead to increased custom for them at the expense not only of the maintained sector but also from other independent schools.

10. The initial impact, but not the overall cost, could be further mitigated by phasing the introduction of any voucher scheme.

SUMMARY

11. For convenience, the various figures discussed in this note are repeated here, with a breakdown between primary, and secondary sectors. As indicated in paragraph 6, the approximations and assumptions involved mean that these are best presented in fairly round terms.

	£m at 1983/84 prices		
	Primary	Secondary	Total
Initial "dead weight"	185	375	560
<u>Less</u>			
Non-participating schools	20	80	100
Unsuitable schools	45	55	100
Overseas pupils	7	13	20
Boarders	<u>20</u>	<u>50</u>	<u>70</u>
<u>Total savings</u>	<u>92</u>	<u>198</u>	<u>290</u>
"Dead weight" less savings	93	177	270
"Dead weight" after tax	61	119	180
"Dead weight" after steep means test	19	36	55

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VOUCHERS
DRAFT SCHEME

1. The main objectives of a Voucher scheme which are common to both central Government and ourselves are:
 - (a) increased parental choice between all kinds of schools;
 - (b) increased and direct accountability of schools to the parents;
 - (c) increased accountability of the teaching force for what they do;
 - (d) increased parental involvement in the education process and at schools in particular;
 - (e) increased parental satisfaction;
 - (f) increased responsiveness of schools to parent wishes;
 - (g) the improvement of educational standards as a direct result of the need to compete for and hold a parent's custom, but also through increased parental involvement; and
 - (h) increased diversity in schools to provide a more exact match between the needs of children and schools provision.

2. Three objectives have also been identified by central Government from which Kent under its present political control would most certainly not dissent:
 - (a) an increase in the responsibility for their children's education of the individual parent or family, and a corresponding reduction in their dependence on bureaucracy or the State;
 - (b) if there is to be community support for education through central government, in equity all children, whatever their choice of school, have a right to the same measure of community support;
 - (c) increased possibility for parents to add to on a regular basis from their own resources that amount which the community itself contributes and to do so without forfeit.

(These could, however, be an element of drawback of the Government so desired)

3. The County Council has identified a further objective and is pursuing a pilot study of its own to elicit its value:
 - ~~(a)~~ ~~(b)~~ increased decentralisation of financial control to schools with a view to improving value for money.

4. Ultimately there may of course be savings to the public purse if an increased number of children seek places in the private sector. It may also be possible to substitute vouchers for at least the schools element of the RSG. But these are longer term objectives which need not be identified at present.

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5. The objectives identified above in paragraphs 1 to 3 will need to be made operational and monitored in any pilot. ~~Of necessity they may not all be made operational in the first phase of the pilot, largely for technical reasons, but the great majority should be.~~ The exact timing of the steps to render some of these objectives operational needs to be determined but, subject to agreement with the Government and at its invitation to prepare a detailed scheme, the Kent County Council would look to start such a scheme in one part of the County in September 1984. The scheme would be known provisionally as the Government-assisted Open Enrolment Scheme and would involve new entrants in that year to both state schools and named independent schools receiving a voucher for the whole or part of their education depending upon the sector in which their parents sought to employ their voucher.

6. While every effort would be made to meet a parent's first choice, it should be understood quite clearly by all concerned that this may not be practicable, either for reasons connected with the physical plant of the school or because Governors may decide that they do not wish to enlarge the school which they govern. It must be accepted that there will remain such a thing as the over-subscribed school and that not every parent will be able to have his first choice.

7. So far as the state sector is concerned the voucher would be financed very largely from a mixture of rates and grants, precisely as "free places" are now financed. There would, however, be certain start-up costs involved in a move to more open enrolment and these, together with certain administrative costs and the "deadweight"

cost of existing independent school places would be borne by the Central Government by way of a direct grant.

8. If the Government wished Kent to operate a system of clawback on those vouchers cashed with independent schools, this could be done through a special grants mechanism which would involve additional administrative cost.

9. The transport policy of the local education authority would remain unchanged for the area concerned in the pilot.

10. This area would probably consist of those areas in West and North West Kent where 11 is the normal transfer age and where there is no subsequent transfer at age 13. This would involve secondary schools in the greater part of the Sevenoaks and Tunbridge Wells Divisions, the Tonbridge part of the Tonbridge and Malling Division, and probably also the greater part of the Dartford Division. This area would provide parents with a reasonably wide choice of state and independent schools and, so far as the state sector is concerned, would involve 10 grammar schools (four with a technical high school tradition) 12 modern schools and 4 comprehensive schools. If the Church of England and Roman Catholic Church were prepared to take part, two further comprehensive schools could be added to the scheme. Very roughly, one fifth of the County's secondary schools would be involved.

11. The Authority would identify those independent schools to be approached with a view to taking part in the scheme and has in mind those either in the *area* or within easy travelling distance (say one hour's journey) of it. It is for consideration whether those children attending independent preparatory schools covering the age range to 13 should be helped in the last two years of their course, but in principle it would seem desirable to do so.

12. The vouchers would be issued to all those known to us from their attendance at Kent's own schools and would be claimed by the remainder from Divisional Offices. Those who lived outside the voucher area but wished to exercise their rights under the 1980 Education Act to be considered for places *in maintained schools* might also claim a voucher from Divisional Office. Effectively, therefore, the voucher scheme would substitute for the present system for allocating places where state schools were involved. The County Treasurer will need to consider the arrangements for honouring the voucher where it is cashed at an independent school and as part of that consideration will need *to consider with the independent schools involved* the most economical and efficient way of making payment. Clearly, the vouchers can only be cashed at a school and in return for a complete educational package.

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13. The voucher would probably take the form of a booklet with explanatory material, a form indicating at which school the parent wishes to cash his cheque and at least one alternative should the school in question be over-subscribed, and three cheques. The latter would certainly be used termly at independent schools, and might be used (probably at the school's discretion) in the same way in the State sector. I make this last point since they could then be linked in some way to a parental presence in the school, perhaps at an open evening or a report evening, and so strengthen parental involvement in their children's education.

14. Procedures would have to be elaborated for the parent who lost or failed to produce his voucher at a school, and this might well have to involve our EWOs.

15. Because we have both selective and non-selective schools, provision would have to be made for a code letter to be placed on the voucher in association perhaps with an individual number for the child to indicate whether the child is selective or non-selective. The parents would be informed separately of the result of the selection test if taken and a clear indication given in the explanatory notes of which schools were available only to a child in one or other category. The intention would be ~~to~~ computerise the whole operation as soon as possible.

to explore the advantages of

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16. So far as the state sector is concerned there is no difficulty in providing a place automatically for a child that is appropriately qualified under the Procedure for Entrance into Secondary Education at a school which is undersubscribed. Slightly different procedures would be required at voluntary aided and controlled schools but it would seem unlikely that they would actively wish to turn children away.

17. The difficulty comes where the school is oversubscribed, and the Authority would wish here to take account of existing parental preferences as well as those expressed by those seeking entry into the school.

18. This would seem to be best achieved by consideration of the published planned admissions limits for all the schools in the area once the totality of choices was known.

19. Where it was physically practicable, the Authority would, if necessary after consultation with the governors, agree to an increase of up to one form of entry in the intake into any given year. Beyond that figure the Authority would consult with the governing body as to whether they would wish to increase the intake still further. The Authority would itself need to be satisfied that the school could physically do so within site constraints. They would rely on the governors to take soundings from the parents and would ask them to be aware that the latter have chosen the school in its existing form and that it should not therefore be changed dramatically without their being consulted.

20. Where intake into a state school fell below two forms of entry in two successive years, such a school would be considered automatically for closure.

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21. Any other ground rules for the scheme which were deemed to be necessary would be defined and promulgated well in advance of ^{it} being put ~~on~~ into operation.

22. Costing the above scheme is clearly at present a matter of guesstimate and will remain so until there can be consultation with the independent and voluntary aided schools among others. It is clear that there will be initial costs both on the administrative side and in staffing the schools. Initially there may be relatively little cost on the building side but provision will have to be made for some expenditure in later years. Again this may well be offset by savings from the closure of schools or the taking out of use of buildings, more particularly if there is a net transfer of pupils to the independent sector.

See note 4 of my memo.

23. The ability of the independent sector to absorb an increase will be dependent on the availability of either government loans or preferably government guaranteed loan finance, perhaps from the banking sector or possibly from the local authority. If it is from the local authority this will need detailed consideration of how the scheme is to be financed and it may be best initially to seek an arrangement with the banks.

24. A calculation of the "deadweight" element represented by the proportion of pupils currently going in to the independent sector may be made first on the assumption of no immediate change and secondly on the basis of a 10% transfer.

25. Some very rough costings suggest that some £2-3m will be required initially to finance the scheme, but detailed work needs to be done on the phasing in the light of paragraph 22.

26. A timetable for decision and work is being prepared for a possible September 1984 start for the scheme with a Schools Sub-committee decision in February 1983. Consultation with the teachers, with governors of voluntary schools affected and with at least the main independent schools which might be involved should take place before that Sub-committee.

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SUMMARY BY SIR KEITH JOSEPH OF HIS MINUTE TO THE PRIME MINISTER OF
5 NOVEMBER ON WIDER PARENTAL CHOICE

Objectives: to increase individual sense of responsibility by giving parents more effective choice of school and therefore to raise standards (paragraph 1).

curriculum?

Present framework: decisions on what goes on in schools nearly totally decentralised to LEAs and schools. The providers largely decide what is provided. Parental choice is limited in practice. The vast majority of parents seem to put up with what they have more or less contentedly (paragraph 2).

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Within present framework: efforts being made by government to raise standards by (a) various measures to improve the calibre and efficiency of teachers, for example by improving initial and in-service training; (b) pressing LEAs and schools to improve the curriculum and teaching perceptions coupled with an improved examination system; (c) seeking a more suitable curriculum for the non-academic 40%; and (d) publishing HMI reports on schools and colleges.

Not enough is possible within present framework, even as improved by the limited scheme of specific grant which I have in mind (paragraphs 3 and 4).

Logical change would be to vouchers giving every parent freedom to spend at any (approved-for-curriculum etc) school what is now on average spent per child and making each school wholly depend upon the cash equivalent of the vouchers parents choose to "spend" there, topped up (perhaps within limits) by parents from their own pockets.

This would involve schools - including Church schools - no longer being maintained by local authorities as at present. It is highly unlikely that so drastic a cut in LA/LEA functions would be acceptable to the Party or to Parliament - and, even if it were, very difficult questions arise (paragraphs 5-8). A "Danish" or "Dutch" scheme cannot readily be applied to the English situation (paragraph 9).

So I propose a less radical option - with 2 limbs - to be tried in a few pilot schemes.

Limb I (a) greater scope to go private: all parents, subject to a means test, receive a voucher of a uniform value, which they can "spend" for or towards the fees for a day pupil at a new or existing approved-for-curriculum etc independent school with freedom for the parent to top up subject to a ceiling on fees and with government guarantees for an initial period for the capital cost of starting or expanding independent schools. There are public expenditure, manpower and other issues to be resolved (paragraphs 10 (1) (a) and 15-25).

Limb II (b) greater scope to choose within the maintained sector: invite LEAs to submit schemes to increase parental choice by spending money to achieve more rapid expansion (within limits) of popular schools and on the condition that bad schools are correspondingly reduced. There are public expenditure, manpower and practical issues to be resolved (paragraphs 10 (1) (b) and 26-33).

Both limbs aim to raise standards in less good maintained schools. The second limb increases choice within the maintained sector to balance the increased scope given by the first limb to shop for a place in existing or new independent schools.

There are important unavoidable constraints - of geography, of money and of the limits of feasible expansion of popular schools (paragraph 14).

The apparent "dead-weight" cost of providing vouchers for those (5%) who would be anyway at independent schools can be cut to one-third or even one-tenth as shown in Annex A and paragraph 20.

But capital expenditure guarantees would be needed (paragraph 21) and there would need to be more HMIs (22). Pilot projects are highly desirable. Therefore problems of location and cost, and uncertainties about securing volunteers (paragraphs 34-43 and Annex B).

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Legislation would be needed both for pilot schemes and, if it were so decided, for going national (paragraph 44-45). Paragraphs 46-49 set out some general considerations on whether the schemes will increase responsibility and whether they will raise standards. Paragraph 50 raises an awkward presentational issue of nomenclature.

Paragraph 51 sets out the conclusion I seek - legislation now or early in the next Parliament for the pilot projects.

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Educational Policy, p 3

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