



10 DOWNING STREET

From the Private Secretary

29 March 1983

PERSONAL

Dear Ivanova,

The Prime Minister held a meeting at 1000 today to discuss your Secretary of State's paper of 25 March on wider parental choice. In addition to your Secretary of State, the Chancellor of the Exchequer, the Secretaries of State for Employment and the Environment, the Chancellor of the Duchy of Lancaster, Mr. Gregson and Mr. Mount were present.

Your Secretary of State said that his latest paper took into account the comments made at the MISC 91 meeting and the meeting on 8 March which had considered his paper on a radical voucher scheme. The paper had returned to the concept of a two-limbed scheme originally advanced in his MISC 91 paper. The first limb of the scheme was designed to increase access to the independent sector by means of a voucher or fee-remission scheme. If the Group wished to go ahead with that limb it would have to resolve the questions of whether the voucher should be nationally or locally available; whether it should be means-tested or taxed; and at what level the voucher should be fixed. There were two variants of the second limb which was directed at the maintained sector. The first which was essentially a development of that in the MISC 91 paper envisaged a bargain between the Department of Education and Science and local education authorities designed to secure a more effective system of open enrolment and greater budgetary control for schools. The second variant which had been devised by the Special Advisers went further towards the concept of the voucher. Under that variant each maintained school in a participating LEA would become an independent legal entity such as a Trust whose income would be derived from a voucher in respect of each of its pupils. The value of the voucher would vary between and within LEAs to ensure that the principle of free education was not breached. LEAs would continue to retain a residual role in respect of unpopular and special schools. This proposal would require, if the Group so chose, considerably more work before its viability could be confirmed.

In a general discussion of the paper the meeting agreed that the essential element in all the proposals which had been discussed in MISC 91 and at the previous meeting of the Group had been the need to widen parental choice and to give parents an effective voice in the management of schools. To an extent the terminology of vouchers tended to obstruct that aim; it would be preferable to refer in future to a system of credits.

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In discussion of the first limb of the scheme, that directed towards the independent sector, it was argued that whatever the merits of enabling more parents to make sacrifices to send their children to public schools, the scheme would inevitably be criticised as subsidising such schools at the expense of the maintained sector. Given the criticisms made of past proposals by, for example, the One Nation Group, this might well be an insuperable obstacle to the successful presentation of the scheme.

On the first variant of the second limb which envisaged a bargain between the DES and LEAs it was argued that such a scheme would produce very few real gains for parents. Moreover there were considerable doubts about the proposal for an annual meeting of parents: such a meeting might well be the vehicle for small unrepresentative groups of parents to gain effective political control of schools at the expense of the interests of pupils. The scheme generally gave the DES greater powers to influence LEA standing which in itself was not undesirable; it did not however contribute sufficiently to the central objectives of widening parental choice.

In discussion of the second variant of the second limb, that proposed by the Special Advisers, it was argued that there might be few local authorities willing to participate in a scheme which took away many of their powers which might mean that the scheme had to be imposed. Moreover while the proposal gave much more responsibility to schools themselves, parents would lose the right to appeal against a refusal by a school to accept their child. It was noted however that this was already the case with voluntary aided schools. It was also argued that the Advisers' scheme would create instability; LEAs would opt in and out of the scheme with changes in political control and schools would hover on the edge of viability. To some extent however the latter was already the case but was concealed in the system of financing such schools.

In further discussion of the Advisers' scheme it was argued that if offered a real opportunity to build on the concept of the voluntary aided school. The scheme would require a new concordat with the churches but this should not be impossible to achieve. Moreover the scheme would give real power to consumers of education in the sense that a school's income would be founded on its ability to attract pupils; the school would receive credits depending on the number of its pupils. The proposal in the Advisers' scheme that the value of the credit should vary between and within local education authorities in order to match variations in unit costs between schools might cause difficulty, although outside London these variations were considerably less. There were also a number of possibilities for avoiding such variations. For example the most variable element in unit costs - that of building maintenance - could be met directly by the local education authority possibly under a leasing arrangement. It was also important to ensure that schools did not have an unrestricted ability to reject pupils, especially in rural areas. Although there were a number of problems which remained to be resolved, the meeting agreed that an approach of this kind merited the further study envisaged in the paper by the Secretary of State for Education and Science.

The Prime Minister, summing up the discussion, said that the meeting was agreed that the first priority should be to devise a scheme to widen parental choice in the maintained sector. Action

In relation to the independent sector might follow at a later stage although in the interim some modest expansion of the Assisted Places Scheme in its existing form need not be ruled out. In relation to the maintained sector, the Secretary of State for Education and Science should do further work with the help of his informal group of Ministers and Special Advisers to devise a workable scheme, taking as its starting point the proposals made by the Advisers, and the points made in discussion. In particular the term "voucher" should be dropped in favour of "credit" and the proposals should be based on existing familiar concepts such as that of the voluntary-aided school. The Secretary of State should aim to report back to the same gathering of Ministers by the end of May.

I am sending copies of this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), David Edmonds (Department of the Environment), Alex Galloway (Office of the Chancellor of the Duchy of Lancaster) and Mr. Gregson. I should be grateful if you, and all other recipients of this letter, could ensure that this letter is neither copied nor circulated outside Private Offices.

Yours ever,

Tim Flesher

(Timothy Flesher)

Mrs. Imogen Wilde,  
Department of Education and Science