



NSPM

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

2 August 1985

The Rt. Hon. Sir Keith Joseph Bt MP  
Secretary of State for Education and Science

A handwritten signature in black ink, appearing to read 'Sir Keith Joseph'.

#### GRANT AIDED SCHOOLS

Thank you for sending me a copy of your letter of 15 July to Willie Whitelaw. I gather that the meeting to discuss your proposal is now likely to take place in September.

I should like to be rather clearer about the objectives of your proposal. These are not explicitly set out in your paper but, as I read it, the main objectives are to raise standards in primary education by devising better teaching methods and other improvements which might be applicable in the generality of maintained schools; and to increase parental choice. If that is so, we need to consider whether any necessary experimentation cannot be in less elaborate and costly ways, for example through the use of existing provision for education support grants within ordinary maintained schools. We should also give some thought to how, if grant aided schools were created, we would measure their success in achieving their objectives.

I note that the initial cost could be around £2 million a year, although you make it clear that this is very much a minimum estimate. This is a significant sum, but I am more concerned with the potential long term costs which could result from any expansion of the scheme. And, as George Younger has pointed out, there is also a danger that any success enjoyed by grant aided schools would be ascribed by LEAs and teachers to the additional £150 a year contributed by parents. One way round this, of course, would be to ensure that the parental fee brought the provision per pupil up to the national average instead of taking it over the top. Even then the proposal would still have a significant net cost.

I also wonder whether the terms you propose to offer to promoters would be sufficiently attractive to persuade them to take on ownership without control. Any concession on capital expenditure would, of course, be expensive.

A further practical problem concerns the criteria to be used in selecting applicants, assuming that there is a surplus. If ability is excluded some alternative must be found. It seems unlikely that the schools will contain a representative sample of those attending maintained schools; and to the extent that they constitute a relatively well motivated group of children any 'experiments' involving them will not necessarily be capable of successful implementation in a typical maintained school.



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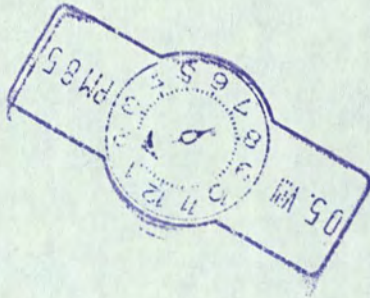


I look forward to discussing these and other points when we meet. I do not wish to appear in any way negative, but the potential public expenditure costs are substantial and this has to be weighed against any benefits that might flow from your proposals.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Edwards, George Younger, John Biffen, Patrick Jenkin, Norman Tebbit, David Young and John Gummer, and to Sir Robert Armstrong.

NIGEL LAWSON

A large, stylized handwritten signature in black ink, appearing to be "Nigel Lawson".







CONFIDENTIAL

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

NBPM at the stage  
MBA 24/7

23 July 1985

Dear Keith,

#### GRANT AIDED SCHOOLS

Thank you for sending me a copy of your letter of 15 July to Willie Whitelaw. If there is to be the discussion with colleagues which you suggest I should indeed want to be party to it; but there are a number of points which I think I should make immediately.

The first is that the proposal is of immediate relevance to the future of Jordanhill College School, a combined primary and secondary school in Glasgow for about 1000 pupils aged 5 to 18 which is at present financed at an annual cost of about £965,000 on my college of education vote. The school was originally established - like other schools formerly attached to colleges of education - to serve as a centre where particular teaching techniques could be practised and observed. It no longer serves this demonstration purpose and a recent report by the National Audit Office criticised its continued financing by central Government. I am therefore under obligation to consider its future funding: your proposal, and the Prime Minister's interview yesterday which has been widely interpreted as pointing to the reintroduction of direct grant schools, will be seen by parents of pupils at the school as having immediate relevance to its future. I would therefore suggest that, in addition to your proposal that voluntary bodies should be enabled to set up new grant-aided schools, we should consider - for Scotland at least - the possibility of grant aiding schools linked to colleges of education.

Secondly there was a good deal of opposition among our supporters in Scotland to the phasing out of our former grant-aided school system and the substitution of the assisted places scheme. Under the former system the grant-aided secondary schools were able to offer education which was highly regarded at modest fees which were subsidised for all parents. A number of parents therefore benefited who are eligible for little or no assistance under the means tested assisted places scheme. Now that the possibility of reintroducing grant-aided schools has been publicly aired, I expect considerable pressure from parents in favour of this, and a number of the governing bodies of the schools themselves might prefer to revert to receiving a general subsidy instead of assisted places grant. I would like to consider at the meeting whether in Scotland at least we should be prepared in principle to allow this.

Both the immediate problem of Jordanhill College School and the possible pressures from the former grant-aided secondary schools mean that it would be impossible in Scotland to proceed as you propose with a limited experiment in the primary school sector only: it would be necessary to consider measures to cover both primary and secondary education.



It would also be unnecessary to wait until after the next election since existing education legislation in Scotland would enable me to set up a new grant-aided schools scheme subject to the making of new regulations.

The difficulty is of course to find the funds for such a development. The assisted places scheme has achieved a wider geographical spread than the former grant-aided system and it does give greater financial assistance to parents of low income. Any new grant-aided arrangements would have to be additional to, rather than a replacement for, the assisted places scheme, and it would be impossible for me to find funds for this out of the resources at present available to me.

More fundamentally, I think we ought to consider the implications for our control of local authority expenditure. Your suggestion is that grant-aided schools should act as neighbourhood schools and be as far as possible directly comparable with local authority schools. But if the grant-aided schools were spending more per pupil than local authority schools - as they would if they were able to charge fees as well as receiving grant at the local authority unit cost rate - could that not be represented as demonstrating that standards generally might indeed be improved if only Ministers would relax their restrictions on local authority expenditure? It may be better to concentrate on presenting any new measures as an extension of parental choice rather than as an example to local authority schools.

Copies of this letter go to Willie Whitelaw, Nigel Lawson, Nicholas Edwards, John Biffen, Patrick Jenkin, Norman Tebbit, David Young and John Selwyn Gummer; and to the Prime Minister and to Sir Robert Armstrong.

Yours ever,  
George.





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The difficulty of course is that the funds for the development of the system are not sufficient to cover the cost of the system. The system is not self-sustaining and it is necessary to have a system of taxation to cover the cost of the system. The system is not self-sustaining and it is necessary to have a system of taxation to cover the cost of the system.

More fundamentally, I think we ought to consider the implications for our system of local authority expenditure. Your suggestion is that local authority expenditure should be based on a system of taxation which is based on the value of the property. This is a system of taxation which is based on the value of the property. This is a system of taxation which is based on the value of the property.

There is a further point to be made in this connection. It is that the system of taxation which is based on the value of the property is a system of taxation which is based on the value of the property. It is a system of taxation which is based on the value of the property.

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