



Power to Parents

THE RT HON JOHN REDWOOD MP

The True Cost of State Education

NICK SEATON

CENTRE FOR POLICY STUDIES

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CONTENTS

Foreword by Tessa Keswick

Summary

Power to Parents by John Redwood

- | | |
|--|----|
| 1. A personal view | 1 |
| 2. The principle of trust | 5 |
| 3. Supply-side reform: freedom for schools | 9 |
| 4. Demand-side reform: freedom for parents | 21 |
| 5. Conclusion | 25 |

The True Cost of State Education by Nick Seaton

- | | |
|--|----|
| 1. Comparing like with like | 31 |
| 2. How the funding system works | 35 |
| 3. Expenditure at local government level | 37 |
| 4. Expenditure at local government level | 43 |
| 5. How much does state education cost? | 47 |
| 6. Per pupil costs | 51 |

FOREWORD

“A DAY WITHOUT A NEW INITIATIVE,” as one of Mr Blunkett's advisers when he was Secretary of State for education, once said, “is a day wasted.” And so we have had the countless attempts to impose change on Britain’s state schools – over 60 in Labour’s first four years in office: Education Action Zones, Excellence in Cities, National Grid for Learning, New Deal for Schools, University for Industry and so on.

But palpably these initiatives haven’t worked. Standards in the state sector are still far below those in the independent sector, despite the best efforts of all involved.

So what should be done? At its simplest, the choice is clear: either our politicians can continue trying to manage and control all aspects of everyday school life. This would entail more initiatives, more guidance to teachers, more Whitehall and LEA interference, more control by the state. Or our politicians can give to all parents the freedom and control over education that only the rich can currently afford. Private education for all, in short.

For the extraordinary fact is that the total amount of money being spent on a state pupil’s education is today about the same as the cost of educating a pupil at an average independent day school. The problem is that, as Nick Seaton shows so conclusively, a huge proportion of the money being spent in the state sector gets swallowed up by the LEAs and the DfES. Give this money back to the schools and we can as a country afford to send all our children, however rich or poor, to an independent school.

That is the impetus behind John Redwood's proposals. By letting the money follow the child, all headteachers – not just the relatively few in the independent sector – would be able to afford far higher teacher staffing ratios; all headteachers would enjoy the freedom to pursue the specialities that parents want; and all headteachers would be free from the stifling bureaucracy and red tape that bedevils everyday life in our schools.

A consensus seems to be emerging over what a vibrant state education sector should look like. Politicians on both left and right now seem to accept that we need greater variety; less red tape and central interference; more freedom for schools; more independence for headteachers; and more money going directly to schools. John Redwood's proposals would achieve these aims. But does anyone really believe that yet more government-inspired initiatives would really achieve these aims more effectively?

And while these proposals may be radical, they should also be popular. Teachers should welcome them, seeing that they should lead to the pay and conditions that reflect their professional status. Parents definitely want them: a MORI poll in September 1998 found that a clear majority (Yes: 51% No: 40%) of Labour-supporting parents said they would like to use independent schools if they could afford the fees. And those who would benefit most would be those who get the worst treatment from the failure of state education in our country today: the children of those parents who do not have the means to escape from failing state schools.

So why not?

Tessa Keswick
Director
Centre for Policy Studies

September 2002

SUMMARY

School Funding

- Despite recent reforms, the way in which state schools are funded remains opaque at best. As the Audit Commission remarked recently: “The national system for LEA and school funding is very confused and illogical.”
- However, once the costs of all the central and local bureaucracy are included, it appears that the average cost per-pupil at a state school in Britain is between £4,500 and £5,000 a year. This compares with a cost per pupil at an average independent day school of just over £5,000.
- Following the 2002 Spending Review, expenditure per pupil in the state sector is set to rise in real terms by six per cent a year for the next four years. The Chancellor of the Exchequer has announced that by 2005/06, the cost per pupil in the state sector will be £4,900 – *before taking into account most of the costs of LEA and DfES bureaucracy.*
- Despite the opacity of the system of state school funding, it is clear that if the full amount of the education budget for each pupil were given directly to each child’s head-teacher, all state schools would have at their disposal a sum equivalent to the average per-pupil cost of an independent day-school education.
- Too much public money pays for bureaucracy and funding initiatives of questionable value. The cost of just some of the more questionable programmes listed in the DfES *Departmental Report* is equivalent to £565 per pupil (or £9,800 per teacher).

The proposals

- All state schools should be set free of government interference, and re-established on the model of Public Trust Companies. They would have the same legal status as an independent school. Their headteachers would have the same degree of autonomy as an independent school headteacher.
- The State should pay a specified sum – in the region of £5,000 per year – directly to the school that the child attends. This figure would be adjusted slightly to reflect the circumstances of individual children.
- The deadweight costs of the proposal would be largely offset by progressively reducing the value benefit to those in the 40% top-rate tax bracket.
- New schools must be allowed to open and existing ones to expand, where there is demand, even if there are already surplus places in the area. An Act of Parliament should impose an obligation on local authorities to respond to parent demand.
- The courts should have the power to overturn decisions which deny schools the right to open or expand. A capital reserve fund at the disposal of the Secretary of State would be available for schools wishing to open or expand.
- All state schools should become Public Trust Companies, having control over staffing, admissions, transport, management and assets from the LEA. A school would be free to devolve any or all these powers back to the LEA, if it so wished. The LEA would then charge the school for the services it provided. Schools would be free to contract with other service providers, including other schools, to perform some or all of these functions.
- Teachers and other staff will be employed directly by the school itself. Schools will have the right to opt out of the national pay bargaining system and settle pay and conditions for their own employees. Insurance and legal services could be bought from the LEA or elsewhere. Teachers' legal liabilities would be clarified and restricted.

The benefits

- The purpose of this proposal is to revolutionise education by turning around the conceptual basis on which each of the main players operates.
- Parents should be seen as responsible for, and with control over, their child's education, rather than passive recipients of a State service.
- Government should be seen as a funder and regulator, not a provider of education. Teachers should be seen as responsible professionals, not oppressed and militant blue-collar workers.
- LEAs should be seen as service providers, catering to the needs of schools which want them, on a competitive basis.
- The people who would benefit most from these proposals are those children who currently have no choice but to endure the low standards and low aspirations that are all too common in failing inner-city schools

CHAPTER ONE

A PERSONAL VIEW

“The Court declared that our nation will not accept one education system for those who can afford to send their children to a school of their choice and one for those who cannot.”

President George W. Bush in June 2002 welcoming the Supreme Court’s ruling that public money could be used to educate children privately.

I attended a county primary school. I was taught in classes of well over 30 pupils. By today’s standards, we were deprived and under-funded. But our teachers were excellent. They practised whole class teaching. We learnt to read, write and spell by the phonic method. Punctuation and spelling were important, and mistakes corrected firmly but courteously. We were taught our tables; we had regular mental arithmetic sessions as a whole class. By the age of 11, most pupils were literate and numerate enough to undertake a secondary school curriculum. I won a free place at a direct grant school which followed the same pattern: whole-class teaching of traditional subjects by traditional methods.

Contrary to received wisdom, the evidence suggests that if there is any correlation between funding, class size, literacy and numeracy, it is that bigger classes and less money are better. Many countries where spending per pupil is less and class sizes are larger show considerably better results than those of the UK. We should ask ourselves, why should this be? Why are the best funded State schools in the UK the worst performers? Why do we spend so much letting down inner city children who benefit from all this extra provision? Why is so much given to so few for so little result?

Many in the educational world say that the problem is deprivation. There is certainly correlation between family

POWER TO PARENTS

backgrounds and educational achievement. But the correlation does not necessarily imply causation. As one who made his way from a council estate as a small boy to a fellowship of All Souls College, Oxford, I feel strongly that there are better ways to give opportunity to young people from all backgrounds.

More poor children are trapped in under-achievement by the assumptions of the political and educational establishment than by the simple fact of their poverty. It is deeply patronising to say to a child that if he or she is the offspring of someone who is unemployed or badly educated themselves, then there is no real hope for them. Frequently the child from the low-income background receives more love, attention and encouragement than the child from the high-earning family where the parents are too busy to devote time to their children.

While the rich child undoubtedly has material advantages at home, all children have access to public facilities. The child from the family with no books can develop a passion for reading in the local library. The child with no computer at home can search the Internet at school. The child with the noisy bedroom can be offered homework facilities before he leaves school for the day.

It is not normally material poverty but cultural and emotional deprivation which keeps disadvantaged children down. Money is too easy an answer: success requires encouragement, patience, and care, from parents or teachers, relatives or mentors, to fire the mind and develop the person. What matters for each child is the interest of an adult who can energise, sympathise, and spark that young person into enthusiasm for literature, art, science or sport.

Facilities are important. In many cases, these are woefully inadequate in state schools. Games fields, where they have not been sold off for speculative housing, are often in very poor repair. Few state schools have cricket pitches or cricket coaches. Even more insidious is the cultural impoverishment which the system brings. Many secondary school libraries are a disgrace. The collections are thin, the opinions all of one kind. The world is portrayed in the dull black-and-white hues of political correctness. Where is the pre-

A PERSONAL VIEW

twentieth century literature? Where is any history before Wilberforce and Hitler? Where are the great texts of nineteenth and twentieth century advance in the sciences? There are often no Tudors and Stuarts, no Marvell or Swift, no Darwin or Einstein.

When I visit the best independent schools in England I despair at the divide. Their libraries are rich in books of all eras. They have talented sports coaches on the staff. They have magnificent playing fields that can be adapted to the changing seasons. Above all, their pupils are encouraged to be confident in their views and rounded in their interests. No wonder Oxbridge, struggling to be impartial between independent and state pupils, has to disregard the most impartial guide of all – results – and find other methods of assessing talent than the standards which applicants have achieved at school.

Some will say the inequality is structural – that what the rich enjoy, the poor are thereby denied. While we allow the rich to buy themselves advantage, it is said, they will pay large fees to have the best teachers and support staff and monopolise the old foundations. Socialists believe this inequality is wrong and wish to correct it by destroying what is good in the independent sector. They would like to tax and regulate the best independent schools, and abolish those state schools – the grammars – which dare to emulate them.

This Government has a mild version of this view. While they have left independent schools alone, they decided to offer communities the chance to vote grammar schools into oblivion. They thought that by offering a vote to the parents of all local primary children, the majority whose children could not gain a place would vote down the opportunity for the minority. So far they have been disappointed. People have shown they can rise above envy, and they do not feel that the local grammar is harmful of the interests of children who do not go there.

I had always hoped they would. Though, like many small boys, I would have loved to play cricket for England, my inability to do so never made me want to close down Bisham Abbey, or insist on bad players being given a place in the team to avoid discrimination. I want my national team to be full of greatly

POWER TO PARENTS

talented professionals who can compete with the best. So it has proved with academic talent and hard work as well. Not everyone prizes it, but most still believe that those who read and write well should have the first claim on the best university places. This country is too sensible to vote against excellence.

The alternative way of reducing the inequalities is to give many more people access to the best that is available. In many cases it will take more money to hire and retain the specialist teachers, coaches, artists and others secondary schools need. The good news is that much of the extra money is already raised in taxation and voted for education. It is just very badly spent at the moment. Giving schools control over practically all the money voted for school education could transform the school budgets. Greatly curtailing the monitoring, regulating, planning and controlling by expansive bureaucracies locally and nationally can achieve this.

Many will say that the Local Education Authority has a vital role to play in ensuring the smooth running of the system. To do this it needs cash from national taxation and a substantial staff. Who will look after Special Needs, organise school transport, ensure sufficient places or hear appeals from disgruntled parents if there is no LEA?

But who ensures there are enough package holidays for people to go on? Who ensures independent school pupils get to school? Who guarantees the disabled can buy food to eat? We do not have a Council department ensuring the bread supply, yet they work well. People are quite capable of organising these things for themselves, along with the Trust schools which will provide the education.

Trusting parents to decide on which school is best for their children would send the right signals to schools to hire, reward and perform in the way we want. The Harrows and Winchesters of the State sector will flourish as parental choice sends them the pupils and the money. If we trust parents, heads and teachers, we will have a much better system than central government and bureaucrats currently deliver.

CHAPTER TWO

THE PRINCIPLE OF TRUST

THE FAILURE OF THE maintained education sector to lift poor children out of deprivation is well established. As research from the Conservative Policy Unit recently demonstrated, while national standards marginally rise, academic standards in the inner cities are falling. Discipline is in sharp decline. Teachers are shunning inner city schools, leading to mass vacancies. As the children of the middle class escape into independent education or the best state schools, the vulnerable are hit the hardest.¹

It is time to recognise that the governing principle underlying post-war education policy has failed. The idea that government is the best agency to provide mass education, through its own schools and at the hands of its own employees, does not work. Despite countless initiatives, reorganisations and upheavals, standards among the poorest people in society remain stubbornly low.

A new governing principle is needed: trust. In order to realise for all children the opportunities which good education brings, the people who are to deliver it must be trusted. These people are parents and teachers.

The responsibility of parents – not teachers, not government, not ‘society’ in the abstract – for the upbringing of children is a principle more often recognised in the breach than the observance. Yet it is a vital principle which underpins all real hopes of reform. Formal education, delivered in schools, is a

¹ John Tate and Greg Clark, *The Children Left Behind*, Conservative Policy Unit, 2002.

POWER TO PARENTS

central part of that upbringing. ‘Society’ might decide that it is in its own interests to ensure that all children have the opportunity for education; it might elevate this sense of collective self-interest into a moral imperative and call education a human right; it also might decide that the State, through its powers of taxation and redistribution, provides the best mechanism for delivering that opportunity in an equitable way. But it is the parents who are, or who should be, in charge of it.

This responsibility should be recognised and enforced by giving parents direct control over the money that the state currently raises and spends on their behalf. This control will make the concept of parental choice meaningful. It will make plain the responsibility that parents have for their children’s education. Through choice and parental empowerment, it will force schools to have regard not to the targets of bureaucrats and ministers, and still less to the latest fashions in education theory, but to the wishes of parents. All in all, it will give to every parent and child in the country the same choices and chances that currently only the rich enjoy.

This demand-side freedom is not enough. Supply-side freedom is essential as well. Schools will only have regard for parents’ wishes when Whitehall steps back. The present intrusive and prescriptive regulatory regime, which in the year to March 2002 sent schools an average of 17 pages of instructions every day, must be abolished. Parental choice is only made possible if there is a diverse range of schools to choose from. It is only by setting schools free of the deadening conformity of detailed state control that such diversity will emerge. Schools and teachers must be trusted.

The reason that independent schools are, on average, better than state schools is not just a question of money. The main reason is that the head and teachers are left to get on with the job. They are held to account by active and attentive parents. The aim must be to bring the benefits of this sort of education to everyone. This involves both the independent and the present state sector.

Parents’ choice over their child’s education should not be restricted by the ideology and exigencies of the LEAs. Freedom

THE PRINCIPLE OF TRUST

should embrace all schools, whether owned or managed by the local authority, a church, voluntary agency or a private business. As long as the planning and funding processes allow them to do so, concerned parents, philanthropic benefactors, kind-hearted churches and profit-hungry businesses can be expected to create school places where none were before, and to supply by enterprise and good-will the gaps in provision left by the failures of the state.

The purpose of these proposals, however, is not to stimulate a mass exodus from existing state schools into new independent ones, and still less to leave the state sector as a rump provider of 'bog-standard' education to the children of parents who do not make the effort to exercise their responsibility. Existing state schools should compete for students on a fair basis with the new schools that spring up.

This means setting schools, and in particular headteachers, free. Schools must be free to adapt to changing local requirements, responding to shifting demand as they see fit; headteachers must be free to manage their staff and their budgets in their own manner, in the knowledge that they are strictly accountable for the use of them; and teachers must be free to teach, unhindered by rigid instructions and remote performance management. This can be done by building on an earlier policy proposal from the Centre for Policy Studies – the idea of 'freedom for schools'.² Schools should be set free from the sway of the LEA: they should become – as many already are – self-owned institutions. But they should have more than nominal independence. They should have full control over staffing, assets, admissions and all other aspects of internal policy.

The policy of dual freedom – for parents and schools – will not revolutionise education overnight. It will take time for the effects of parental choice and the liberalisation of provision to stimulate the diversity and flexibility which are so desired. The first beneficiaries of choice and liberalisation will be the children of the

² Sean Williams, *Freedom for Schools*, Centre for Policy Studies, 2000.

POWER TO PARENTS

poorest and most excluded parents. It is in the inner cities and among vulnerable sections of the population that failing schools are most common, and where obstructive bureaucracies so often block escape routes. It is the children at these schools who should be in the first wave of reform. This is why, under these proposals, high-earning parents will not benefit directly from the scheme.

The idea set out in this paper is not a new one. Nor is it one which Left or Right can claim as its own. Perhaps its earliest advocate was Thomas Paine; the radical sympathiser with the French Revolution who's *Rights of Man* (1791) launched the concept of the welfare state. Paine suggested that poor children should receive 'ten shillings a year for the expense of schooling'. In the following century the notion was picked up by the great Victorian exponent of free markets, J. S. Mill, who famously observed in that:

If the government would make up its mind to require for every child a good education, it might save itself the trouble of providing one.... defraying the entire school expenses of those who have no-one else to pay for them.³

In our own times, in the Presidential campaign of 2000, both Al Gore and George W. Bush endorsed the principle.

The principle is this: that the state should play an *enabling* rather than a *providing* role in education. Its function should be to finance and regulate education, not to supply it itself. The supply of education should be left to the two groups most concerned in it: parents and teachers.

³ J. S. Mill, *On Liberty*, 1859.

CHAPTER THREE

SUPPLY-SIDE REFORM FREEDOM FOR SCHOOLS

THE LIBERATION of parent choice will be the real engine of improvement in education.

The principal obstacle to the expansion of independent education in the UK is the fact that a parent must pay twice – once in taxes and then in fees – in order to send a child to an independent school. These proposals overcome this obstacle. Money follows the pupil wherever he or she goes to school. As the reforms in Sweden in the 1990s showed, liberating demand can prompt a great expansion of supply. In 1990 Sweden had the smallest independent school sector in the developed world, with less than 1% of children educated privately. Under legislation passed by the centre-right government in 1991, approved independent schools were entitled to receive from the government 85% of the cost of educating a student in the state system. The number of independent schools doubled within a year, and the sector has continued to grow. As Stephen Pollard has pointed out, the fastest-growing schools in Sweden are those started by teachers, parents and educators who were dissatisfied with the education provided by their local government schools. The system has not, as many on the Left warned, degenerated into a world of profit-driven commercialism.⁴

⁴ Stephen Pollard, *A Class Act: world lessons for UK education* (Adam Smith Institute, 2001)

POWER TO PARENTS

As the Swedish experience has proved, choice serves the wishes of parents and communities far better than the good intentions of the local council ever do.

If it is demand-side reform – outlined in the next chapter – which will ultimately stimulate the expansion of educational capacity, there still remains a further obstacle on the supply side itself. The welter of bureaucratic and financial checks which Whitehall and LEAs have imposed over the years on the opening of new schools, or the expansion of existing ones, would impede a rapid response to such liberalisation of parent power. They must be substantially modified, or swept away.

Freeing up existing state schools

There cannot be too much diversity in the education system, and there cannot be too many different forms of school ownership and management. The current array of different school types being implemented by the Government (forming a ‘ladder of improvement’, in the words of the Secretary of State, from ‘struggling school’, through ‘working towards specialist status’, ‘specialist school’, ‘advanced school’, to, finally, one day, ‘leaders of school reform’) constitutes an artificial diversity.⁵ The envisaged ‘pluralism’ will still take place within the structures which have failed to deliver improvement in the past – the bureaucratic hierarchy which places schools themselves at the very bottom of the official heap. The concept which underpins it – ‘earned autonomy’ – is an oxymoron which disproves its own purpose: schools are ‘freed’ from central prescription precisely insofar as they demonstrate obedience to government targets.

There will always be a hierarchy of some sort in education. Despite – indeed often because of – attempts to realise absolute equality of standards, some schools will be better than others. Parental choice will level standards up. Bureaucratic intervention often widens the gap.

⁵ Estelle Morris, speech to the Social Market Foundation, 24 June 2002.

SUPPLY-SIDE REFORM: FREEDOM FOR SCHOOLS

The last Conservative Government made some progress in decentralising education through the Grant Maintained status offered to schools by means of a parental ballot. Unfortunately the requirement that schools hold ballots among parents allowed local politicians to scare some parents off, and slowed the process down. The present Government summarily abolished GM status at those schools which had achieved it.

This time there should be no such timidity. All state schools should be set free by Act of Parliament. They should be reconstituted as public interest, not-for-profit private companies – called Public Trust Companies (PTCs) – which hold the titles to their own assets and are legally responsible for all aspects of the activities they carry out.

The Public Trust Company model is an extension of the Public Interest Company (PIC) being discussed by the Government – itself inspired by the Public Benefit Corporation common in the United States. Because the PIC model involves a ‘lock’ on public assets – transferring the property of a PIC to the state if it goes into liquidation – this model would be inappropriate for those schools which are not state-owned at present, such as the voluntary schools owned by churches and charitable foundations. The Public Trust Company would not automatically transfer assets to the state in the event of bankruptcy or failure. There would be a standing obligation on the Trust that the school or its assets be devoted to educational purposes. Normally, a school which was ailing financially would be refinanced in the private sector. If no one could see a future for it as a school, the assets revert to the State. A former state school would require government approval for change of use for the property.

Failing schools with potential pupil demand might be taken over by other schools by charities or by educational companies. They can be refinanced by mortgaging property or future revenue streams, subject to the proviso that the buildings only have an educational use value. As long as there are pupils needing the school, it will be possible to raise money secured on future pupil revenue.

POWER TO PARENTS

The PTC vehicle effectively breaks down the barrier between state and independent sectors. Schools, under this model, would become independent, self-owning, self-governing trusts. A PTC is different from a commercial company. It might not, by law, ‘distribute’ the profits it makes. The school itself, rather than external shareholders, would receive any surpluses the management created. As such, ‘state’ schools would be more than halfway to becoming indistinguishable from ‘private’ schools with charitable status – like Eton.

The PTC form could embrace many different models. All schools should be allowed to draw up their own articles and instruments of governance. Schools owned by charitable or religious foundations, such as the Brompton Oratory which owns the London Oratory School in Hammersmith, could be converted to PTC status with little difficulty. Many schools are directly owned by local authorities and would require incorporation as an independent legal entity. This could take any form – a ‘producer mutual’ or teacher-owned co-operative (as in many schools in the US); a ‘consumer mutual’ or parent-owned co-operative, in which a child’s admission to the school confers ownership rights on the parents; a local charity, a university, or a non-profit subsidiary of a local business – so long as it satisfied the general provisions of PTC status. These would include being a non-profit trust committed to pursuing educational purposes.

At the moment most schools have little or no control over admissions, curriculum, the training and qualifications of teachers, the terms of teachers’ employment, the administration of Special Needs, school inspections, the management of school assets, or a host of other operational matters. All these restrictions would, for a PTC school, be swept away – if that were what the school wanted. Each of these aspects of school life can be handled either by the school itself – or by a body it contracts with to handle them.

SUPPLY-SIDE REFORM: FREEDOM FOR SCHOOLS

A new role for LEAs

LEAs came into being with the commendable purpose of providing schools with the administrative support, and the economies of scale, they could not easily provide or effect themselves. They were also instituted in order to ensure that all children found places with schools. Over time both these aspects of LEAs responsibilities have altered. Rather than supporting schools and helping children find school places, they have come to domineer over both. Their responsibilities now seem to be to implement the wishes of central government, and to pursue social and political objectives of their own.

LEAs should be reconstituted along the lines envisaged for them in the beginning: to provide services to schools, and to act as the last resort for children without places. When parents neglect their responsibility, the LEA could take control and make the necessary arrangements for the child.

The LEA can continue to offer a range of services to schools. If they are needed and performed well by the LEA at a sensible price, the schools will use them.

Perhaps the most efficiently run independent schools in the country are those which form the Girls' Day School Trust. This is a remarkably cost-effective and high-performing union of 25 schools, which is able to keep its costs down (secondary school fees are £5,400, a figure which has risen considerably since the abolition of the Assisted Places scheme) largely by managing certain functions collectively. There is no doubt a school which tries to perform all its administration in-house will experience higher costs, and 'federations' of schools are increasingly common in the independent sector. Such federations are well placed to compete with LEAs for the management of transport, catering, school trips, sports, and much more. Commercial operators might try their hand at turning a profit in this field.

The radicalism of the current proposal could be entirely offset by the decision of the school to maintain its current relations with the LEA. It would thus, on achieving its PTC status, instantly

POWER TO PARENTS

contract with the LEA for all the services already provided, and submit to all the regulations and prescriptions the LEA chooses to impose, in exchange for the fees demanded. It would, in effect, buy itself back into subservience – but that would be its choice.

Even if an LEA were to retain the right to manage all the responsibilities it currently carries out for all its schools, it would still have every incentive to regard the schools as a client (rather than a vassal), and itself as a supplier (rather than the local chief). Because schools could, on an annual basis, remove their custom from the LEA and place it elsewhere, the power relationship would be entirely altered.

Admissions

One of the most important aspects of school life with which LEAs are involved is admissions and exclusions. This proposal gives schools complete control over their own admissions, and relieves them of restrictions on exclusions. They might wish to devolve responsibility upwards to the LEA, or join a federation of schools which took care of it for them – but it is probable that most headteachers would wish to exercise these functions themselves.

Though schools might have a statutory obligation to ensure another provider will accept a child before they can exclude him, it is important that headteachers have this vital instrument of discipline at their disposal. The Government's policy – now partially abandoned – to cut the number of excluded children has seen a 30% drop in exclusions since 1997. This has had a profoundly deleterious impact on standards of behaviour, crucially undermining the authority of teachers. Heads should have the right to exclude disruptive children. The State should provide places of last resort for delinquent children who disrupt other schools.

Similarly, heads should have complete autonomy in the selection of pupils. This does not herald a return to the 11+. The process of selection in a liberal system would reflect the diversity of children, the diversity of schools and the diversity of methods of assessing talent. All schools would be selective to some extent, but only a

SUPPLY-SIDE REFORM: FREEDOM FOR SCHOOLS

minority would select on the basis of academic achievement and potential. Some might select on the basis of art or sport or religious affiliation. Many of the best state schools, including Technology Colleges and specialist schools, which are already allowed to select 10% of their pupils on the basis of 'aptitude', decline to do so. Other considerations, such as how well a child is likely to fit in, and whether his or her interests or faith reflect that of the school, predominate. Such is the virtue of a liberal system: pupils and schools approximate to each other naturally and in personal, informal ways.

The transfer of legal ownership to schools will capitalise the trusts and enable schools to borrow against their assets for the first time. They would be free to raise money on the capital markets, and to borrow against projected revenue. This revenue might include the proceeds of any businesses set up by the school to sell after-hours adult education, for instance, or to hire out the buildings or playing fields for private and commercial purposes.

The Public Interest Company concept is presently stalled in Whitehall. This is because of the Treasury's refusal to give the final go-ahead to a scheme which might leave it with no control over public sector borrowing but with considerable contingent liabilities in the event of PTCs failing. This would only arise through a failure to define the terms of PIC status closely enough: it must be clear from the outset that such schools are independent – that is, private sector – institutions. Under those circumstances, the freedom to borrow against assets, backed by a solid revenue projection in the form of taxpayers' money, should cause a tremendous programme of investment in education to take place, without any charge on the Treasury and the taxpayer. Private banks would lend to private trusts (the PTCs), and leave no impression on the Public Sector Borrowing Requirement. In the event of school closure, a former LEA school's assets would revert to the state after all liabilities had been met. If a school borrows too much and gets into financial trouble, it would need to refinance itself or come to an arrangement with creditors. The state would not bail it out.

POWER TO PARENTS

Allowing new schools to open

To widen choice, we need to ensure that new schools can open, both in new locations and on the sites of existing, failing schools; and that successful schools can expand on their own sites, and take over under-performing schools.

They will need official permission and financial backing. The planning process is currently heavily skewed to exclude new entrants, whether ‘private’ or ‘public’ sector. People – parents, a charity or a private consortium – hoping to establish a fee-charging school in a deprived area will probably have to face an obstructive Labour or Liberal council planning department determined to keep them out. A successful state school, many times over-subscribed, might find the same council’s education authority refuses to grant permission to increase its capacity so long as a failing school down the road has unfilled places.

These prejudices, a direct assault on parent choice, are entirely detrimental to the interests of local children. A PTC school, with total control over its admissions, would face no obstruction to increasing its places – as long as it could find the physical space. The Act of Parliament establishing PTCs should impose an obligation on local authorities to allow the proper expression of parent demand. Planning guidance should state a presumption in favour of allowing a school to expand on its present site, to encourage the development of popular schools; and the courts should have the power to overturn decisions which restrict the number of places. Ultimately, it is the empowerment of parents which will drive progress: an ideologically unhelpful council would encounter considerable dissatisfaction from parents who found their new-won freedom rendered useless by its refusal to allow choice to emerge.

As suggested above, PTCs’ revenue, in the form of the taxpayers’ money which they can expect, should form a good basis for raising capital finance for medium-sized projects – such as laying out a new playground or refitting some classrooms. In order to establish a new school altogether, or to seriously expand the capacity of an existing one, alternative funding methods may be helpful.

SUPPLY-SIDE REFORM: FREEDOM FOR SCHOOLS

As Secretary of State for Wales, I created a fund to which schools wishing to expand could apply. Each application was examined to see whether the school did have the extra demand, and whether the proposed expenditure would enable them to meet it. This caused a significant expansion in the number of places at popular schools and provided a further incentive for under-performing schools to improve.

A similar scheme could be introduced across the country. The priority would be to stimulate choice in areas where capacity is currently limited; but it would also be important that new schools could open where there are already enough places: a small surplus on the supply side is an essential condition of consumer empowerment, and a vital agent of flexibility.

Teachers

Control over a school's staffing arrangements is a vital aspect of the envisaged scheme. Only if heads can hire the teachers they want on the terms they choose, reward them appropriately, and fire them when necessary will school standards rise.

For years there has been a tendency to blame teachers for poor standards in education. There are bad teachers in British schools, and there remain restrictive practices, imposed due to pressure from the teaching unions, which prevent bad teachers from leaving the profession. But the majority of teachers are hardworking, dedicated professionals. It is the structures and the culture in which teachers work which accounts for some failures.

Teachers are denied autonomy in the classroom. They are responsible for the fulfilment of targets they had no hand in setting. They sometimes are not allowed to exercise proper discipline while they are expected to inculcate in their pupils all the civilised virtues.

Teachers should be treated as the professionals they are. This means they should have the autonomy to perform their job to the best of their ability, and the responsibility of accounting for that performance to the headteacher. The same approach applies to

POWER TO PARENTS

heads. Their professional freedom is coupled with strict accountability, in their case to Governors and, through them, to parents. Heads should have the right to hire and fire staff in the same manner as other professional employers, and to remunerate them accordingly with the approval of the Governors.

All employment contracts should be transferred from the LEA to the PTC. This would cut at a stroke the strongest of the many ties which bind Government to schools. The Transfer of Undertaking Protection of Employment rules would apply, so that no teacher would be disadvantaged by the move.

There must be an end to national pay bargaining. No organisation can be effective if its salaries are set through political negotiation in the capital city, by a government with one eye on the unions and another on the taxpayer. Salaries are one of the principal management tools available to employers, and should reflect the variegated reality on the ground.

There is no reason to think that if employment contracts were transferred to schools teachers would suffer a pay cut. As is explained below, individual schools' per-pupil budget would be considerably increased by the funding reforms proposed, and with a national shortage of teachers there would be every incentive for heads to place a high priority on decent pay.

Flexibility is vital – which means that headteachers must have absolute control over who they employ. There is no reason why schools should only employ staff 'qualified' through the Teacher Training system: independent schools do not do so. The Teacher Training system amounts to a restrictive practice, a closed shop whereby the government and its quangos control the inflow of educators. If schools wish to hire people qualified by the Teacher Training Agency, or by another body, or not 'qualified' at all, that should be their business. This would bring into schools many eminently qualified people unwilling to go through the formal 'qualification' procedure – retired people, business people or other professionals seeking a year out from their regular job. The willingness of the Government to suspend the Teacher Training

SUPPLY-SIDE REFORM: FREEDOM FOR SCHOOLS

process (or rather, to shorten it to 8 weeks only) for graduates looking to teach for two years under the LondonFirst programme suggests that the objections to flexibility in this area are not insurmountable.

Many teachers will wish to belong to unions even after the abolition of national pay bargaining. Of course they will be free to do so. However, some teachers do not believe in or agree with the political approach of the union leaders, but join to use the insurance and legal advice provided by the Union. This is because the law on teachers' liabilities is so draconian. Giving adequate protection to children from the criminal attentions of adults is essential. But in schools, the balance of protection has been taken to the point that teachers cannot even comfort a child without fearing accusation. Consequently many take insurance and legal advice from unions as soon as they qualify.

Two policies immediately suggest themselves. Firstly, the law on teachers' liabilities should be clarified. It is essential that all appropriate protections for children are maintained, but experienced teachers of good intent should have nothing to fear in their interactions with pupils. Secondly, the government should either establish itself, or encourage some other organisation to establish, a teachers' mutual insurance scheme, divorced from any union or employee association.

Examination and inspections

There have been many recent criticisms of the three main competing Examination Boards and suggestions that a nationalised monopoly Exam Board might be preferable. The argument runs that Boards want to attract schools and candidates, so there is a temptation for them to make it easier to pass or obtain a good grade to bring them more business.

A nationalised monopoly Board would be no bulwark against such a tendency. With Ministers straining to show standards are rising there would be a similar temptation in a politically driven monopoly, leaving schools and candidates who wanted a tougher

POWER TO PARENTS

exam with a higher standard with no choice. At least in the present system any given Board knows that if it gains a reputation for setting the standard too low it could lose business from those schools and candidates who want to show university selection boards they have taken the tougher option.

Yet there is a serious worry about standards. Year by year standards apparently rise. Each year many pupils study hard and want to know their achievement means something. It is unfair that each year there is a row over whether standards have risen or exams have become easier.

The problem has been exacerbated by the introduction of A/S levels and the introduction of so many modular- and course assessment-based A levels. The result has been predictable: chaos and confusion over the role of Sixth Forms, and growing dissatisfaction with the way in which exams are marked. The latest attempt to adjust grades downwards was particularly unfair. Whether the fault lies with the Government, the QCA or the examining boards themselves, it is evident that considerations other than pupils' individual achievements have been brought to bear.

A/S levels should be abolished, and students should study a limited number of subjects between the ages of 16 and 18. In the meantime, in addition to the specific investigations into the recent scandal, the Secretary of State should set up an independent inquiry, including representatives of the main critics of the present system. They should have power to call for past papers and answers, power to interview examiners past and present and teachers. An authoritative report could lay to rest the fears of the agnostic majority and give some greater certainty. They should also propose how the moderation of standards year by year and between Boards should be improved.

The Government should maintain an Inspectorate of Schools, reporting on a regular basis following inspection. It should abandon the national curriculum and abolish the QCA, leaving it to schools to offer education which meets people's aspirations and college entry requirements.

CHAPTER FOUR

DEMAND-SIDE REFORM: FREEDOM FOR PARENTS

THE MAIN REASON why so many independent schools outperform public ones is that the funding system in the independent sector rewards success, while that in the public sector rewards failure. It is also true that some of the very best independent schools spend considerably more and have excellent facilities unmatched in the public sector. Our concern is with the average. Here, better results are not a case of the independent sector being better funded. As figures compiled by Nick Seaton demonstrate, the total amount of money currently spent per pupil in the state sector is closely comparable to the cost of educating a child privately. The disparity in standards between state and independent schools is evidence of the poor value for money in parts of the state sector.

The problem is that the money supposedly spent by the Treasury on each state school pupil is not given directly to the headteacher, who is then free to use it as he or she sees fit on the child's behalf. It is entrusted by one tier of government – the DfES – to others – the LEAs and to a host of other government agencies and quangos – and spent in pursuit of centrally set targets. Substantial sums are 'lost' on the way from the Treasury to the school. Even the money that reaches the school for some central initiative, however worthy, consumes time and energy which might be better spent in teaching and planning. Central initiatives also affect the priorities of the school, preventing it from responding to local demand and parental wishes.

Nick Seaton's figures suggest that a significant proportion of the education budget, excluding the costs of higher and further

POWER TO PARENTS

education, is diverted away from headteachers' direct revenue funding. As Seaton says, added to the per-child revenue funding of £3,300 this suggests that 'the full annual cost of educating a state school pupil may be as much as £xxxx. He points out that this total is likely to be inflated by the DfES's habit of duplicating spending figures. But it can still be compared with the average cost of an independent school place of £5,083. And with a six per cent real terms increase in state funding of education every year until 2005-06, it is clear that state school education will soon cost more than the average in the independent sector.⁶

It is vital that parents should control the entire sum of money currently spent by the Treasury on each child's behalf – that is, it should be paid directly to the school which their child attends.

There are many international examples of this working. Certain American states, notably Florida, require failing schools to offer parents a voucher amounting to their per-pupil costs. In other states tax breaks are offered in place of a voucher to low-income families. Arizona even offers tax breaks on donations to private voucher programmes – a donation of up to \$500 can be deducted from one's income tax bill – so encouraging the wealthy to subsidise, privately, the education of the poor.⁷

The precise degree of state subsidy for private education is a matter of dispute. In New Zealand the children of poor parents qualify for a voucher worth the full cost of a private education, paying only for extra-curricular expenses. Denmark also offers a voucher, but requires a parental contribution on top in order to emphasise the responsibility of the parent for the child's education. In the UK, a more flexible model is adopted by the Girls' Day School Trust, an independent schools network which

⁶ Even the Chancellor of the Exchequer claims that the per-pupil spend in the state sector will be £4,900 by 2005/06: "Spending per pupil... which was £3,500, last year, will rise to £4,900 per pupil by 2005-06" (Hansard, col. 30, 15 July 2002). As Seaton shows, this per-pupil spend does not include all central DfES and LEA expenditure.

⁷ Stephen Pollard, *op. cit.*

DEMAND-SIDE REFORM: FREEDOM FOR PARENTS

operates its own cross-subsidy arrangement at the Belvedere school in Liverpool, in partnership with the charitable Sutton Trust. Girls are selected for places at the secondary school, entirely on merit, and their parents are then tested on their means. If they can afford the full costs, they pay it; otherwise the Trusts support them. In practise, they support 75% of the girls. The full Girls Day School Trust fees are £5,400 (inflated by the need to provide bursaries for other girls), but with the subsidies from the two Trusts, the cost per-pupil works out at only £3,250.⁸

The means test in use at the Belvedere school is one which could be applied nationally. Parents earning above £40,000 receive no help, those on less than £10,000 have their full fees met, and a taper operates in between.

The next Government should ensure that all schools, whether independent schools or new PTC schools, receive directly from the Treasury a sum for each child of around £5000, varied marginally for local circumstances and on a ratio of 0.9:1.1 for primary and secondary schools and 0.5 (i.e. £2,500) for pre-school children aged between two and four.

This proposal would greatly stimulate the growth of education capacity, as new schools open up and existing ones expand. The Adam Smith Institute has calculated that there are already 200,000 places at independent schools which charge fees equal to the cost of educating pupils in the state sector.⁹ This figure would multiply exponentially if parents were given the opportunity to take their proportion of the education budget to the school of their choice.

People would be free to top this transfer up with their own money if they wished their child to attend a more expensive school.¹⁰ In order to prevent a major and immediate transfer of

⁸ *Educational Apartheid: A Practical Way Forward*, Sutton Trust, 2001.

⁹ Stephen Pollard, op. cit.

¹⁰ It should be noted that parents of children in the state sector already pay an average of £900 a year per child on the everyday costs associated with state education. These cost include the costs of

POWER TO PARENTS

money from the state into the pockets of those who already pay independent school fees – the so-called dead-weight problem – it is proposed that a tapered cut-off be introduced for top-rate taxpayers. The state should claw back some of the money which it had spent on the parent's behalf, where the parent was paying 40% tax. For anyone earning more than £50,000 they would receive no state funding to send their child to an existing independent school. For someone on £30,000 a year, they would receive the full £5,000 a year. A taper would apply, withdrawing the £5,000 proportionately – so someone on £40,000 a year would receive £2,500 a year towards independent school fees. This would mean that expensive school places – the Etons and Westminster – would not be subsidised for the very rich. No one currently using a free place at a state school would lose that entitlement under the new scheme.

uniforms, school trips, after-school clubs and so on. Source: Norwich Union 'School Sums' survey, September 2002.

CHAPTER FIVE

CONCLUSION

DR ROWAN WILLIAMS, Archbishop-designate of Canterbury, recently argued that allowing choice to parents leads to “a spiral of failure for the less successful competitors”.¹¹ It is disappointing to see an intelligent and spiritual man now chosen for high religious office arguing such a politically contentious position.

Giving freedom to parents does not perpetuate disadvantage down the generations. Many from all types of background will be liberated by choice. Nor should we concentrate just on academic success, when enthusiasm for sport, art, music and technology will also be catered for.

It is the present education system, in tandem with other social, economic and cultural forces, which has produced the irresponsible and ill-educated parents the Archbishop is effectively condemning. The present system places too little responsibility on parents; it expects little from children, beyond attendance. It is not surprising that some parents regard their children’s education as not their problem but the State’s. This attitude will only be broken down by placing responsibility firmly where it belongs: with the parents themselves.

Nor is it the case – as is often implied – that only middle-class parents have the *nous* to exploit freedom of choice. This highly pejorative assumption, which would not be tolerated if it came from the Right wing of politics, passes as compassionate and

¹¹ ‘The language of choice is beginning to look far from innocent’, *The Times* 2, 24 July 2002.

POWER TO PARENTS

progressive thinking when it comes from the Left. Outside every poorly performing school's gates can be found groups of concerned parents who want the best for their children and would dearly like to move them to a better school – if one was available. The income level of the parent does not determine how much they care about their children.

A common mistake made by critics of freedom in the economic sphere is the assumption that what is won to one player is thereby lost to another: that in a competitive system people are competing for slices of a cake of limited size; that the poor must get poorer in order for the rich to get richer. This assumption lies behind Dr Williams' critique of freedom in the sphere of education: education, he says, is 'a finite market' where 'one producer's gain is another's loss'. But these proposals will liberate teachers and will increase the size of the cake. The children of those on low incomes are likely to do relatively the best out of these reforms, but all can gain from them.

The present collectivist and illiberal system is the true villain. In Rowan Williams' words, it prompts a 'spiral of failure' for poor schools, from which only the middle classes can escape. It is the present system which enables the canny and well heeled to exploit the measure of choice that is available, while the children of the poor, the ill informed and the inarticulate are condemned to the 'bog-standard' comprehensives which excite the disdain of the Prime Minister's spokesman. It is the present system – not our 'refusal to articulate the truth' of the zero-sum education cake – which is creating, in Dr Williams' words, 'a society profoundly inept in handling adult self-determination and responsibility'.

If schools are freed, then a different, better world for the many is within grasp. Each community would be free to build and run schools they are proud of. The Berlin Wall that divides state from independent education would fall.

Let everyone go to a private school. Let the taxpayer pay for the many to go to a school of their choice. Let the money follow the pupil. And let educational bureaucracies which have let

CONCLUSION

children down so badly be transformed into competitive service providers – or wither.

The snobbery which assumes that public schools are best must be challenged. The next generation could soon all have access to high quality education, whatever the size of their parents' bank balance.

But that means trusting teachers and trusting parents.

The True Cost of State Education

NICK SEATON

CHAPTER ONE

COMPARING LIKE WITH LIKE

IT IS OFTEN CLAIMED that most of the problems in state education are the inevitable product a system that is grossly under-funded. It is also said that state schools generally cannot possibly be expected to produce the excellent results which are common in independent schools unless they have similar amounts of money. There is some truth in both these statements: in particular, it is true that the amount of money that reaches state schools is much less than the average fees charged in the independent sector.

It is generally assumed that, in England, the average annual cost of educating a pupil in the state sector is about £3,000. This seems considerably less expensive than the £5,000 – £6,000 upwards that is generally regarded as average in fee-paying independent day schools.

However, detailed scrutiny of the amount that is spent on state schooling suggests that the per-pupil cost is artificially low. Moreover, much of the extra spending in independent schools goes to buy and maintain superior facilities (such as smaller class sizes, better sports fields, buildings, and equipment) that state schools generally cannot match. In comparing the costs of the state and the independent sectors, it is important to compare like with like. This is not easy: but even a rough attempt, like this one, reveals some disturbing evidence that state schools might be far more expensive than the headline figures suggest. What is striking is that in England the true cost of state education, once all relevant central costs are included, may already be as high as £5,000 a year – and is set to increase to about £5,950 a year by 2005-06. Even if

THE TRUE COST OF STATE EDUCATION

these figures are disputed – and given the lack of clarity that still bedevils the funding of state education, the figures calculated here can be no more than estimates – the Treasury’s own forecasts suggest that by 2005-06, spending per pupil in the state sector will have reached £4,900.¹²

While the way in which schools are funded remains opaque, the data below suggest that the following estimates may give a more accurate picture of the total cost of educating a child than the figures published by the DfES:

	2001/02	2005/06
Spending per Pupil in the state sector (CPS high estimate) ¹³	£5,000	£5,950
Spending per Pupil (CPS low estimate) ¹⁴	£4,625	£5,500
Spending per Pupil (DfES) ¹⁵	£3,300	£4,900
Average fees per pupil in independent day schools ¹⁶	£6,066	N/A
Average cost per pupil in independent day schools ¹⁷	£5,058	N/A

National averages for state and independent schools

The Department for Education and Skills (DfES) provides some national averages in its *Departmental Report* (June 2002).¹⁸

¹² HM Treasury Press release announcing the July 2002 Spending review. See also the statement made by the Chancellor in the House of Commons on the Spending Review (footnote six above).

¹³ See Chapter 6.

¹⁴ See Chapter 6.

¹⁵ *Departmental Report: The Government's Expenditure Plans 2002-03 to 2003-04*, DfES/OFSTED, June 2002.

¹⁶ *Annual Census 2002*, Independent Schools Council, 2002.

¹⁷ *Independent Schools Cost Survey 2002*, haysmacintyre, 2002.

¹⁸ *Departmental Report: The Government's Expenditure Plans 2002-03 to 2003-04*, DfES/OFSTED, June 2002.

COMPARING LIKE WITH LIKE

Table 4.5 of the *Departmental Report* shows that Revenue Funding per school pupil in 2001-02 was £3,300. This amount 'consists of Education Standard Spending plus all schools-related revenue grants' from the DfES, but they exclude spending on special schools, central administration and support services, as well as capital expenditure.¹⁹

On the surface, this amount seems to contrast starkly with spending in the independent sector. The *Independent Schools Cost Survey 2002*, published by haysmacintyre, shows that the average annual per-pupil operating cost at preparatory day schools is £4,703 and at senior day schools it is £5,413, both amounts including costs for buildings, grounds and catering.²⁰ This implies an average per-pupil cost for all age groups of £5,058.²¹ And of course, in the independent sector, fees charged to parents are generally higher than costs. The Independent Schools Council (ISC) reports the average independent day-school fees for 2002 is £6,066.²²

But straight comparisons between the state and independent sector are dangerous. The fees that parents pay to independent schools have to cover everything to do with running the school –

¹⁹ Ibid, p. 41. Note that the *Spending Review 2002 – Funding focus on education* issued on 15 July 2002 puts this figure at £3,500.

²⁰ *Independent Schools Cost Survey 2002*, haysmacintyre, 2002.

²¹ It is important to distinguish between average *costs* and average *fees*. The haysmacintyre survey is based on the detailed accounts of 300 schools (including boarding schools) in the independent sector and reflects the total running and capital costs of schools in the independent sector. Average fees are larger than costs: some popular independent schools base their fees on what the market will bear, rather than cost. Many also set their fees high for those who can afford them, in order to generate scholarship funds to help those who cannot. 22% of all children in independent schools receive some level of help with fees from the school itself.

²² It should be noted that there are probably many less-prestigious independent schools outside the ISC network whose fees are much less than this average.

THE TRUE COST OF STATE EDUCATION

from capital projects, to scholarships, to day-to-day expenses and teachers' salaries and pensions. In the state system, things are very different. Here, the headline per-pupil amount that schools are actually given to spend in the classroom is only a small part of the story. There are dozens of authorities, quangos, and policy initiatives whose cost must also be considered – even though their cost does not appear in state schools' budgets.

These supplementary but hidden costs include the costs of the DfES itself, plus bodies such as the Teacher Training Agency (TTA), the Qualifications and Curriculum Authority (QCA), the Office for Standards in Education (OFSTED), and 150 separate LEA bureaucracies. Other expenses, such as the capital values of school lands and buildings, are not even calculated, and others do not appear on the DfES budget, but are borne by other departments and authorities.

The aim here is to examine these supplementary costs in some detail and to attempt to establish a more realistic figure for the total cost per pupil in the state system, against which the cost of independent schooling can be properly compared. The year 2001-02 is taken as an example because that is the latest year for which both central and local government budgets are available. Because almost all the funding for state education comes from money voted by Parliament to the DfES, this is perhaps a good place to start. But first it is necessary to consider how the system of funding state schools works.

CHAPTER TWO

HOW THE FUNDING SYSTEM WORKS

At its simplest, the state school funding system comprises the following steps:

1. Parliament votes (or delegates) an annual budget to the DfES, based on the calculation made in step 2 below.
2. Central government officials calculate the amount for each local authority's Standard Spending Assessment (SSA). This includes amounts for education, social services etc. and the SSA is what the local authority receives from central government. Other central government grants such as Revenue Support Grants, Standards Fund Grants and Schools Standards Grants may be added to the SSA.
3. Local councillors decide whether to keep to their education SSA, or to add to it, or to use some of the money for other services. Depending on their priorities, they then calculate the Total Education Revenue Expenditure for their local authority.
4. Local officials then produce their LEA's Section 52 budget, which shows their own central expenditure and the amount they plan to delegate directly to their schools, This latter amount is known as the Individual Schools Budget (ISB).
5. Finally, the ISB is divided between individual schools.

THE TRUE COST OF STATE EDUCATION

Some of these steps require further explanation:

1. From Parliament downwards

The DfES's funding is shown in two major blocks: its overall budget out of which the Department pays for its own expenses, for central government schemes and quangos, and for Further and Higher Education; and another block for Education SSAs which are delegated to local authorities to pay for schools etc.

2. Calculation

The SSA formula used to calculate how much government money goes to local authorities is extremely complicated. In addition to the costs of providing 'a standard level of service' for education (the Education SSA), each local authority's total SSA includes estimated amounts for other services such as highways and social services.

3. Adjustment

Once local councillors have an SSA award from central government for the estimated costs of their education service for the year, they then decide whether to apply it all to education, or to add to it from other sources, or indeed whether to divert some of it to, or from, other spending areas such as social services. This is their own, local decision.

4. Budgeting

Next, the local authority produces a Section 52 budget, showing the total costs of the LEA and the proportion that it intends to delegate directly to the schools under its control. In the Section 52 budget, the SSA amount (which still appears for comparative purposes) is 'replaced' by the locally-decided amount known as 'Total Education Revenue Expenditure', which includes amounts from other sources. Most capital expenditure is shown in addition to this.

5. Delegation to schools

The amount delegated directly to schools in their regular budgets, the Individual Schools Budget (ISB), is the key figure in all this because schools are the front-line service and teachers salaries are paid out of schools' own budget shares.

CHAPTER THREE

EXPENDITURE AT CENTRAL GOVERNMENT LEVEL

According to the annual *Departmental Report* from the in the year 2001-02, the Department's planned budget for 2001-2002 was £19,471 million for the year 2001-02. This includes the DfES's own running costs plus £6,302 million for Higher Education and £5,964 million for 'Further Education, Skills and Lifelong Learning'. In addition to this, the DfES received £22,513 million for local government Education Standard Spending Assessments.

Total DfES and OFSTED budget 2001-02

Departmental Budget:	£19,471 million
Education SSAs:	£22,513 million
Total:	£41,984 million

An Expenditure by Function table shows, among others, the following itemised costs:²³

²³ An indication of the confusion at the heart of the school funding process is that some of the amounts *for the same year* are very different from those shown in the previous year's *Departmental Report: The Government's Expenditure Plans 2001-02 to 2003-04 and Main Estimates 2001-2*, DfEE/OFSTED, March 2001. No explanation is given for the variances. For example, the 2001 *Departmental Report* shows the cost of Further Education/Learning and Skills Council as £5,476 million and the 2002 Report costs it at £5,964 million – both figures for the financial year 2001-02. In the 2001 Report, Higher Education is costed at £4,989 million and in the 2002 Report as £6,302 million, again *for the same financial year*.

THE TRUE COST OF STATE EDUCATION

Sure Start	£123 million
Childcare	£104 million
Nursery Education	£235 million
Capital Grants within Standards Fund	£804 million
Specialist Schools and CTCs	£167 million
Education Action Zones	£64 million
Information & Communications Technology	£154 million ²⁴
Modernising the Teaching Profession	£1,049 million
Other miscellaneous programmes	£260 million
Total of the above programmes	£2,960 million

Under support for young people are listed:

Connexions Service	£317 million
Connexions Card	£13 million
Neighbourhood Support Fund	£19 million
Millennium Volunteers	£19 million
Children's Fund	£34 million
Other miscellaneous programmes	£16 million
Total of the above programmes	£418 million

And under Further Education, Adult Learning, Skills and Lifelong Learning are listed:

Adult Learning Inspectorate/Training Inspectorate	£20 million
Union Learning Fund	£8 million
Individual Learning Accounts	£223 million
Learndirect	£9 million
University for Industry	£53 million
Other miscellaneous programmes	£78 million ²⁵
Total of the above programmes	£391 million

²⁴ This is enough to buy around 250,000 laptop or desktop computers at high street prices. Yet the *Departmental Report* boasts that [only] '50 per cent of teachers will have personal access to a PC by 2004.

²⁵ From these examples alone, it will be noted that £354 million of the DfES's central expenditure is hidden in unspecified 'Other Miscellaneous Programmes'.

EXPENDITURE AT CENTRAL GOVERNMENT LEVEL

Some of the costs of other centrally funded initiatives, whose budgets can be derived from the *Departmental Report*, include:

National Literacy and Numeracy Strategies:	£190 million
Cutting bad behaviour from the classroom	£87 million
Curriculum Online scheme	£35 million
E registration of school attendance	£11.25 million ²⁶
Postcode Premium	£25 million
Playing for Success	£7.3 million
Total of the above programmes:	£355 million

This is only a selection of the programmes run by the DfES. In total, these initiatives alone cost £4,124 million – equivalent to £565 for every pupil educated in a state school, or £9,800 for every state school teacher.²⁷ Schools in the independent sector do not benefit from any of these schemes yet do not seem to suffer excessively.²⁸

Yet there are some items in the 2001 *Departmental Report* which do not appear in the 2002 *Departmental Report*. These include:

Expenditure in the 2001 Report but omitted from the 2002 Report

European Social Fund	£388 million
European Development Fund	£27 million
Qualifications framework	£96 million
Qualifications other than through the QCA	£35 million
Subscription to the International Labour Org.	£7 million
General Teaching Council	£7 million
Music and Ballet scheme	£12 million
Inclusion/Children's Fund (2001-04)	£450 million
Total of the above programmes	£1,022 million

²⁶ This implies an average cost of £22,500 per school.

²⁷ It should be noted that some but not all of the above figures cover a two or three year period. The length of schemes is not always made clear in the *Departmental Report*.

²⁸ In addition, the cost of the Teacher's Pension Scheme is reported as £1,650 million. It is not clear whether this is a funded scheme or whether it is a pay-as-you-go scheme. Pensions in the independent sector are all funded.

THE TRUE COST OF STATE EDUCATION

Equally disturbing to anyone looking for transparency, the 2002 *Departmental Report* does not provide the costs of the major state educational quangos, such as the QCA (£54 million-plus) or the TTA (£392 million) – see below. Nor does it provide a list of grants to organisations such as the National Governors’ Council or the Sex Education Forum.

Clearly, some of the central government political initiatives mentioned above seem appealing and probably made headlines for ministers on the day of their announcement. Some may have genuine merit and, if taxpayers were given the full facts and the full costs, they may possibly support them. But when taxpayers claim willingness to pay more taxes to fund ‘education’, would they be so eager if they knew exactly where their money was going? And how many of these schemes would be necessary if local schools were given the freedom and resources to do their jobs properly?

EXPENDITURE AT CENTRAL GOVERNMENT LEVEL

HOW BUREAUCRACY GROWS

One problem in the state sector is that the bureaucracy just grows and grows. The Qualifications and Curriculum Authority, for example, only came into existence (as the National Curriculum Council) in 1988, when its annual budget was about £10 million. Since then, the QCA has also been made responsible for national testing, but does this justify a six-fold increase in its annual budget to nearly £60 million, and 466 staff?

The Teacher Training Agency, which only came into existence in the mid-1990s, had a 2001-02 budget of £392 million, 'running costs' of £7 million and 'about 130' staff. Its latest *Corporate Plan* says that its 'programme budget' for 2002-03 will be £425 million, running costs will be £9.4 million and staff will number 'about 180'.²⁹

The new Learning and Skills Council, which now administers and funds all post-16 education, became operational in April 2001. It comprises a national body and 47 local councils. Before it began to operate, it had already made 'some 800 senior appointments'.³⁰

In 1999-00, OFSTED's budget was £86 million. In 2003-04, it will be £197 million – a rate of increase of over 36% a year.

²⁹ *Corporate Plan 2001-2004*, Teacher Training Agency, 2001 and *Corporate Plan 2002-2005*, Teacher Training Agency, 2002.

³⁰ *Departmental Report 2001*, page 87.

THE TRUE COST OF STATE EDUCATION

A CASE STUDY OF ONE EYE-CATCHING INITIATIVE

One illustration of how little comes from some of these initiatives is illustrated by the following story reported in the *TES Online* (7 September 2001):

Just off the staffroom, in a corridor, is a heap of black bags. Teachers pass them day after day, lesson after lesson. One teacher even stopped and looked inside and reported back to the staff. 'It is our NOF [New Opportunities Fund] Training. There is a great thick glossy folder. It says, Part One: this will take 10 hours'. The staff were not happy so the bags are still there except for the ones used for carrying passports and paperbacks on holiday.

The article went on to explain that £450 per teacher was budgeted by the DfES and the TTA for NOF Training – a total of £40,000 for this school alone. Yet if, as in this case, such schemes dictated from on high by central government come to waste, would it not be better to give £40,000 directly to the school in its regular budget to spend on its own priorities?

CHAPTER FOUR

EXPENDITURE AT LOCAL GOVERNMENT LEVEL

NOT SURPRISINGLY, arguments about school funding – and the proportion of Section 52 budgets delegated directly to schools – occur with seasonal regularity. Year after year, headteachers and school governors complain about how little is actually passed on to them, and politicians vie with each other in promising to enforce even greater delegation from LEAs to schools.³¹

The current target is for at least 85% of budgets to be delegated to schools. Yet the proportion claimed as ‘delegated’ has little meaning. LEAs can deduct considerable sums of money for their own central costs *before* they calculate the percentage they hand on to the schools. So LEAs do not calculate the proportion they hand on to schools as a percentage of Total Education Revenue Expenditure (the locally decided budget), but as a percentage of a much smaller figure that excludes many of their own costs. They claim to hand over 85% to schools: but 85% of what?

When the present Government took office in 1997, education ministers recognised the concerns of many headteachers and school governors and one of their first pledges was to provide a fairer system of school funding. After consultation, David Blunkett, then Secretary of State for Education, introduced his new ‘Fair Funding’ arrangements, and began to publish annual league tables showing the percentage of each LEA’s local education budget supposedly delegated to local schools.

³¹ See, for example, *Fair Funding or Fiscal Fudge*, CPS, 1999 and *Unfair Funding*, CPS, 2000.

THE TRUE COST OF STATE EDUCATION

Unfortunately, after the introduction of 'Fair Funding', LEAs were allowed even more headings under which they could deduct money from their local education budgets *before* calculating the proportion delegated to their schools. Then, despite the promised restraints, they were given more scope (and headings) to deduct further sums from *within* the Local Schools Budget (LSB) before delegating the remainder directly to schools. These headings, some outside and some from within the LSB, include:

Capital Expenditure from Revenue (CERA)

Total Non-School Funding (which includes education for under-fives etc)

Non LSB Expenditure

Total LEA Activities within the LSB (which include several major headings and numerous sub-headings).

So LEAs get several large slices of the cake before what is left is passed on to schools. Indeed, when 'Fair Funding' was discussed in Parliament, 89 headings were identified under which LEAs could deduct funds for central services.

Section 52 budgets, therefore, give LEAs every opportunity to conceal their own inefficiencies and yet still claim to be delegating large percentages of the budget direct to schools. The system is wide open to creative accounting, and even outright abuse. As Marian Brooks, headteacher of Cranford Community College in Hounslow, wrote in the *Times Educational Supplement* (6 April 2001):

My own local authority sees the SSA as 'irrelevant' and has short-changed the 14 schools in the secondary sector by over £3 million a year for the last six years. In the case of my own school that's a loss of £1.8 million... This is not an isolated example... The national 'league tables' of delegation by LEAs conceal a simpler truth – you can delegate as little of the intended sum as you like and still look OK in the tables.³²

³² It should be pointed out here that most LEAs *add* to their SSAs. They just claim too large a proportion of the whole for central expenditure.

EXPENDITURE AT LOCAL GOVERNMENT LEVEL

Following a 1993 study into this system, Richard Morais wrote in *Forbes*, the respected American business magazine:

If business did this, it would be called cooking the books.³³

Since then, the system has barely improved. When it comes to funding, state schools, the front-line service, are still at the bottom of the pecking order. As a recent joint Audit Commission and OFSTED paper remarked:

The national system for LEA and school funding is very confused and illogical.³⁴

Only 75% of the money gets from LEAs to schools.

According to DfES figures taken from LEAs' Section 52 budgets for the financial year 2001-02, 150 English LEAs between them spent £6,521 million centrally. This amount, of course, includes the cost of items such as youth services, home-to-school transport and some Special Needs costs such as educational psychologists employed by the LEA. Nevertheless, if Standards Fund Grants and Schools Standards Grants from central government are excluded, schools under local authority control received directly, on average, only 67% of their LEAs' Total Education Revenue Expenditure. Even when the schools' share of transitory central government grants is included, only 75%, on average, of Total Education Revenue Expenditure was delegated directly to mainstream schools.

And note, too, that central government grants, such as Standards Fund Grants and Schools Standards Grants are merely a temporary solution. Such grants are transitory and discretionary: they do not allow schools to plan ahead by permanently employing additional teachers, for example. If schools are to be run successfully, they need firm and regular budgets on which they can base medium and long-term management decisions.

³³ 'A revolution betrayed', Richard C. Morais, *Forbes*, 20 December 1993.

³⁴ *Local Education Authorities and School Improvement 1996-2001*, Audit Commission and OFSTED, 2002.

THE TRUE COST OF STATE EDUCATION

Clearly, while not all of the £6,521 million spent centrally by LEAs can be added directly to the budgets of mainstream primary and secondary schools, there is a strong argument for giving more of this money to schools to spend as they see fit. While ensuring the money follows pupils, there is also a strong argument for allowing schools to purchase only those outside services they want. This would be a more efficient and effective system than allowing LEAs to make the first claim on funds to provide bureaucracy and services, whether or not schools want, or need, them.

Capital costs

The whole area of accounting for capital costs in the state sector is extremely problematic because, as commentators invariably point out, accounting norms in this area are either vague or non-existent. But some information can be gleaned.

According to Section 52 budgets for 2001-02, LEA Capital Expenditure from Revenue (CERA) is listed as £231m; other LEA Capital Expenditure (excluding CERA) amounts to £1,740m, most of which probably came from the DfES.

However, a recent study by Dr Nicholas Burnett for the Centre for British Teachers (CfBT) reports that, in the year 2000, the DfES estimates the stock of state school buildings to be worth about £66 billion excluding land.³⁵ Using this estimate and assuming 30 year depreciation for buildings, the CfBT study estimated an imputed annual cost per pupil in the state sector of about £300 excluding land. This is much lower than the equivalent cost in the independent sector (the haysmacintyre survey suggests that the average capital cost, including the costs of school grounds, for all age ranges is about £572 per pupil). Though such 'hidden' costs are routinely included in the independent sector calculations, in the state sector they are practically impossible to calculate.

³⁵ Nicholas Burnett, *Costs and Diversity in Schools: An International Review*, CfBT, 2002.

EXPENDITURE AT LOCAL GOVERNMENT LEVEL

CHAPTER FIVE

HOW MUCH DOES STATE EDUCATION REALLY COST?

Due to the lack of transparency in the presentation of financial information at both national and local government level, it is practically impossible to arrive at any precise figures for the real cost of a state education and compare it directly to the costs of independent schools. The figures provided by the state sector are so confusing that accurately adding together all its additional costs is hardly practicable.

But despite all the obfuscation, some rough estimates of the non-school central and bureaucratic costs of state education can still be made. The simplest and probably most accurate method is to take the overall education budget for England (less Further and Higher Education) and to calculate how much and what proportion of this does, and does not, find its way to mainstream school budgets. From this, a more accurate total amount for educating a mainstream pupil in the state system can be estimated.

Local and national politicians, and their officials, do their utmost to convince everyone that schools get 85% of the funding available from their LEAs. The DfES's *Departmental Report* boasts that delegation for 2001-02 was 86.5 per cent. Yet clearly these claims are inaccurate at the local authority level; so how much do schools get as a proportion of the total funding provided by taxpayers? The following rough calculation for 2001-02 shows how much taxpayers' money was spent on education, where it went and how much was spent centrally by the DfES and the LEAs.

THE TRUE COST OF STATE EDUCATION

Calculation of central education spending by the DfES (2001-02)

	£ millions
Total DfES and OFSTED budget*	£19,471
Plus Education Standards Spending Assessments (SSAs)	£22,513
Total	£41,984
Less cost of Higher Education	£6,302
Less cost of Further Education/Lifelong Learning	£5,964
So deduct	£12,266
Leaving	£29,718
Less SSAs delegated to LEAs	£22,513
Less Standards Fund Grants delegated to LEAs/schools	£1,560
Less School Standards Grants delegated to LEAs/schools	£685
So deduct	£2,211
Leaving amount controlled/spent centrally by DfES	£4,994

Source: figures from the DfES's *Departmental Report*, June 2002)

Note

* This amount includes £1,874m of 'Investment in School Buildings' and other capital grants which, in fairness to the DfES, should probably be deducted here. But even if it were deducted from here, it would need to be added back below at local authority level, because it is an important cost-heading, which independent schools automatically identify and include in their per-pupil costs.

HOW MUCH DOES STATE EDUCATION REALLY COST?

At local authority level the figures are as follows:

Local Authority Spending (2001-02)

	£ millions
SSAs from central government (see above)	£22,513
To which is added from various sources*	£4,014
Making Total Education Revenue Expenditure†	£26,527
Less Individual Schools Budgets (delegated to schools)	£17,821
Less Standards Fund Grants (delegated to schools)	£1,560
Less Schools Standards Grants (delegated to schools)	£625
So deduct total amount delegated to schools	£20,006
Leaving amount controlled/spent centrally by LEAs	£6,521

Source: figures supplied by the DfES from LEA Section 52 budget statements Notes.

* It is not possible to identify exactly where all this comes from. But official advice suggests it probably includes money taken from other local authority budgets such as social services, Revenue Support Grants which come from the Department for Local Government Transport and the Regions, private sector investment which the DfES claims is around £1 billion and possibly other grants from the DfES itself.

† In addition to this amount, LEA budgets show £1,740 million for 'Capital Expenditure excluding CERA', which is not included here as it presumably equates with the £1,874 million shown at central government level above. It should also be noted that the figure for SSAs is the only one that agrees exactly at central and local government level – yet another reason why precision is impossible.

Therefore, it appears that in 2001-02, about £11,515 million (£4,994 million spent by the DfES plus £6,521 million retained by

THE TRUE COST OF STATE EDUCATION

LEAs) of taxpayers' money was controlled or consumed by the DfES and its subsidiaries such as the QCA and the TTA, and the 150 LEAs and other 'peripheral' activities in state education. While some of this money may have indirectly found its way to schools and pupils through the services provided by the DfES and LEAs, the important figure is the amount of money that reaches the schools.

That said, after the identifiable costs of Higher and Further Education have been taken out, it appears that schools are still only getting 66% of the total funding provided by taxpayers. Much of the other 34% comprises hidden, additional 'educational establishment' costs, most of which have no equivalent in the independent sector.

CHAPTER SIX

PER PUPIL COSTS

AS MENTIONED ABOVE, the DfES's provisional 'revenue funding' average for all age-ranges for 2001-02 is £3,300. This amount excludes spending on special schools, central administration and support services, as well as capital expenditure.

And as has also been seen above, the cost of central and local bureaucracy could consume as much as 34.1% of total school funding. If these central costs were included in the per-pupil figure, the cost of state education could be as much as £5,000.

In the 2002 Spending Review, the Chancellor of the Exchequer announced that:

In real terms, spending on education and skills in England will rise by an average of six per cent a year in the three years to 2005-06.

This rate of increase suggests that the per-pupil expenditure (including the cost of central and local bureaucracy) would increase from its current level of around £5,000 to around £5,950 by 2005-06.³⁶

When compared with the average cost per independent day-school pupil of £5,083 deduced from the haysmacintyre *Independent Schools Cost Survey 2002*, it appears that educating a child in a state school will soon cost more than educating a child in a private school.

³⁶ The per-pupil figure would probably be even higher than this as the number of children in the state system is set to decline over the next four years.

THE TRUE COST OF STATE EDUCATION

Another way of calculating the current per-pupil cost would be to divide the total schools budget for state education for 2001-02 by the numbers of pupils in the system.

	£ millions
Total DfES and OFSTED budget*	£19,471
Plus SSAs	£22,513
Sub-total	£41,984
Minus identifiable costs of FE and HE	12,266
Total allocated to school education	£29,718
Plus LEA additional spending from other sources	£4,014
Total available for spending on schools	£33,732
Number of children in maintained education	
Under-5s in school	738,000
Primary schoolchildren	3,505,000
Secondary schoolchildren to age 16	2,950,000
Children in special schools	99,000
Total	7,292,000

Average cost per pupil: £33,732,000,000 ÷ 7,292,000 pupils = £4,626.

Source: *DfES Departmental Report 2002* and Section 52 Budgets 2001-02 obtained from the DfES.

Should this figure increase by 6% a year for the next three years, then the average cost of state education per pupil would be £5,500 by 2005-06.

PER PUPIL COSTS

More room for optimism

There is another helpful factor on the horizon. Demographic projections suggest that the numbers of 5 to 19 year-olds will fall by 850,00 in the next 15 years – or by about 10%.³⁷ This fall in numbers would, in itself, produce a higher per-pupil budget in the state system without the need for additional public spending.

Together with the money that is consumer by bureaucracy, there is now a real opportunity to make a fundamental change to our education system in ways that give power and resource to those who really matter – pupils, parents and teachers.

Independent schools operate very successfully without a Department for Education (which employs more than 5,000 staff), a Teacher Training Agency, a Qualifications and Curriculum Authority or LEAs. If independent schools can manage without these bureaucracies, why can't state schools as well? And surely headteachers would rather receive £5,000+ per pupil directly into their school budgets with which they could make their own provision for whatever additional services they require, rather than operate under current conditions. And of course with every extra £5 billion a year that Gordon Brown spends on state education, the stronger the case for *all* money following the pupil.

³⁷ Graeme Leach & Simon Jones, *Choice, Choice, Choice*, Institute of Directors, 1999.

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*...shareholders have lost out under every Labour government since the war –
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