

CONFIDENTIAL



FROM: M E DONNELLY
DATE: 25 January 1983

CHANCELLOR

cc Chief Secretary
Economic Secretary
Sir A Rawlinson
Mr Wilding
Miss Kelley
Mr Kemp
Mr Mountfield
Mr Pestell
Mr Faulkner
Mr Ridley
Mr Robson
Mr Harris
Mr Sargent.

WIDER PARENTAL CHOICE AND EDUCATION VOUCHERS

The Financial Secretary has seen Sir Keith Joseph's paper; and Mr Faulkner's note of 19 January.

The Financial Secretary finds the suggested approach too timid. He sees little point in waiting for the results of pilot schemes which will only be the subject of hard fought rearguard actions by teachers' unions, and education pressure groups. It would be better to press on with a full scheme.

The paper also misses out one extremely important point. This is that if all primary and secondary education was financed by vouchers - provided by central Government - at a stroke some 60 per cent of local authority spending would have been transferred to central Government. This will tend to make the financing of the rump of LA expenditure much more manageable. The remainder of LA expenditure might be 100 per cent funded locally out of "reformed" rates, perhaps a poll tax, and other changes. Education vouchers could therefore be a major step forward in increasing the responsibility of LAs for their own expenditure in other areas.

MED
M E DONNELLY