

PREM 19/2131



The future of the Inner London

Education Authority (ILEA)

EDUCATION

PT 1: July 1979

PTS: August 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>20.8.87</del>		<del>19.4.88</del>					
<del>25.8.87</del>		<del>25.4.88</del>					
<del>29.87</del>		<del>11.5.88</del>					
<del>7.9.87</del>		<del>20.6.88.</del>					
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PREM 19/2131



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Note

Told Chris de Gandy  
(DAS) that PM is content.

Free  
with

PRIME MINISTER

ABOLITION OF ILEA: FINANCING OF THE LONDON RESIDUARY BODY

E(EP) agreed last month that funding for inner London boroughs to dismiss unsuitable teachers should preferably come from the London Residuary Body.

Kenneth Baker's letter of 20 June below sets out his proposals for this. He envisages that the funding should come from the receipts from County Hall in the same way as already agreed for redundancy and detriment compensation. The proportion of County Hall receipts available for all these purposes would continue to be limited to the 40 per cent figure already agreed. The Chief Secretary and Mr. Ridley (letters of 22 June) are content with this approach. Brian Griffiths and I also agree this approach is in line with what E(EP) was after.

Content for Kenneth Baker to proceed as proposed?

Free.

Yes

ms

PAUL GRAY

23 June 1988

EL3CWJ

CONFIDENTIAL



CY/SG



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

22 June 1988

*Dear Kenneth*

ABOLITION OF ILEA: FINANCING OF THE LONDON RESIDUARY BODY

Thank you for your <sup>at trap</sup> letter of 20 June.

As you note, we have already agreed that up to 40% of the receipts from the sale of County Hall should be available to finance, if necessary, redundancy and detriment compensation arising as a consequence of the abolition of ILEA in 1990. In view of what you say, I am further content that the proposed scheme to find the severance of unsuitable teachers dismissed by successor education authorities on transfer from ILEA should, if necessary, be financed from within that same proportion of the County Hall receipt. I accept, of course, that it is difficult to predict the amount of balances LRB will inherit from ILEA. But I am sure we both recognise that, out of fairness to outer London, those balances and the receipts from what I hope will be a vigorous shakeout of surplus ILEA property must be the first source of funds for the costs you have identified.

I recognise that the Parliamentary timetable is tight. However, it is important that my officials are given the same opportunity as yours to consider and comment on the amendment which Counsel is still to draft in relation to Section 77 of the Local Government Act 1985. This does, of course, affect my powers to specify the purposes for which ex-GLC capital money should be used. I should be grateful if you could ensure that this happens.

I note the point you raise about allowing the LRB to borrow short-term if the County Hall receipt was not immediately available. In fact, the same principle would arise if receipts from ex-ILEA property were not yet available. We do not normally allow local authorities to borrow to finance staff compensation costs but there are precedents in the 1985 re-organisation to allow borrowing to roll over costs until receipts were available the following financial year. This issue is as much for John Major as me. Let us look at it if the need seems likely.

Copies of this letter go to the Prime Minister, other members of E(EP), Peter Brooke and Sir Robin Butler.

*Yours  
Nicola*

NICHOLAS RIDLEY





EDUCATION: ILEA  
AS





CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

NB 2 papers.

22 June 1988

Dear Secretary of State,

**ABOLITION OF ILEA: FINANCING OF THE LONDON RESIDUARY BODY**

Thank you for copying to me your letter of 20 June to Nicholas Ridley.

I welcome your acceptance that there should be no central government support towards the costs of dismissal by inner London boroughs of unsuitable teachers transferred to them from ILEA. I recognise the presentational advantages of your proposal to extend the existing agreement on the use of County Hall receipts, if necessary, to finance redundancy and detriment costs directly as a result of abolition to cover the costs of those dismissals. I am content to agree to it subject to the same conditions, effectively to preserve the interests of the outer London boroughs, as apply under the existing agreement. In particular, I am sure you are right to propose adhering to the original 40 per cent limit on the use of County Hall receipts for these purposes. Any costs in excess of that figure will therefore need to be met via the LRB's levy.

I note what you say about the contingent need for the LRB to borrow in anticipation of County Hall receipts. I hope that that can be avoided, and I should need to be satisfied that it was absolutely essential before I could agree to it. But you are obviously right that we need not decide that now and I am prepared to return to it on its merits nearer the time.

I am copying this letter to the Prime Minister, to other members of E(EP) and to Sir Robin Butler.

Yours sincerely,

PP JOHN MAJOR

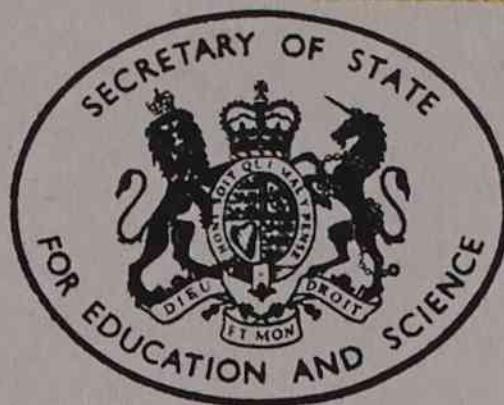
(Approved by the Chief Secretary +



EDUC [redacted] : Future of ILOA RTS.

22/11  
1988





ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

CONFIDENTIAL

The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment  
2 Marsham Street  
London  
SW1

20 June 1988

*Jim Mike,*

ABOLITION OF ILEA: FINANCING OF THE LONDON RESIDUARY BODY

We have agreed that up to 40% of the receipts from the sale of County Hall should be available to finance, if necessary, the redundancy and detriment compensation arising as a consequence of the abolition of ILEA in 1990. Your officials kindly provided draft instructions to Counsel on this point.

X Since then, the minutes of E(EP) on <sup>attached</sup> 12 May record our agreement that funding should be made available to allow the inner London boroughs to dismiss unsuitable teachers received on transfer from ILEA. (Technically, of course, we are concerned with severance.) We agreed that no such scheme should be announced at this stage, in order to avoid controversy in the House of Lords; my officials are considering what form such a scheme might take, but we do not need to reach a decision on that urgently. What we must do is to ensure that we have available the necessary means to fund the scheme.

E(EP) agreed that it would not be appropriate to fund these severances through the payment of a specific grant from central Government, and accordingly decided against extending beyond 1989-90 the power to pay specific grant to the inner London boroughs. That, I think, rules out the possibility of central support for the costs of such a scheme.

E(EP) therefore suggested that it would be preferable for the LRB to be given powers to finance severances. It could of course do this through the levy on the boroughs, without any specific amendment to the Education Reform Bill for this purpose. I believe that this would be politically damaging. On the one hand



it would be claimed that this was a direct and visible cost being laid at the door of the residents of inner London as an immediate consequence of our legislation for the abolition of ILEA. On the other hand, any such provision would almost certainly be used much more extensively by the Conservative boroughs than by the Labour boroughs, and a uniform levy would be criticised as an unfair subsidy of some of the wealthier parts of London at the expense of poorer areas.

I therefore believe that the most satisfactory solution would be for such a scheme to be financed through the capital assets received by the London Residuary Body. I think that this was in any case E(EP)'s preferred option. Of course at this stage we do not know what level of balances will be inherited from ILEA, nor the value of the surplus property which will be transferred to the LRB and the rate at which it will be possible to dispose of that property. Indeed, we have already recognised that it is likely that the foreseeable redundancy and detriment costs could not be met without specific provision for access to County Hall receipts. Given that those compensation costs must be the first call on the assets inherited by the LRB, I believe that, if we are to have the sort of severance scheme under consideration, it too may have to be financed from County Hall receipts.

That means that the provision enabling us to use County Hall receipts needs to be drafted in general terms, as E(EP) recognised, so as to enable us to finance a severance scheme while avoiding controversy in the Lords.

My officials have kept yours informed of the changes which we believe necessary in order to encompass this objective. Briefly, we seek to provide that proceeds of sale which would otherwise fall to be distributed under Section 77(4) of the Local Government Act 1985 should be available to meet costs which the sale of ILEA's own assets might not cover. This would be done by enabling the Secretary of State to make an order (by negative resolution statutory instrument) providing for such part of capital money as may be specified in the order to be applied for such purposes as are also specified. We have of course agreed that the proportion of County Hall receipts which might be treated in this way should not exceed 40%, and I believe that we should adhere to that figure, even though it may have to include the severance scheme as well as the redundancy and detriment compensation which we had already foreseen.

I had hoped to be able to clear with you the amendment itself, but Counsel has not yet completed it, and as time is now short before it will have to be tabled - certainly no later than this Friday - I should be grateful for your confirmation, and that of colleagues, that you are content with the approach I have described. If any comments are to be reflected in the amendment, they will need to be provided by lunchtime on Wednesday 22 June.

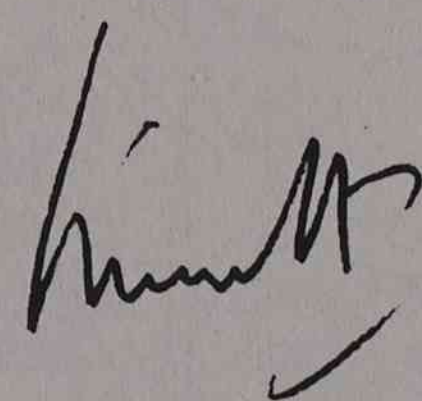
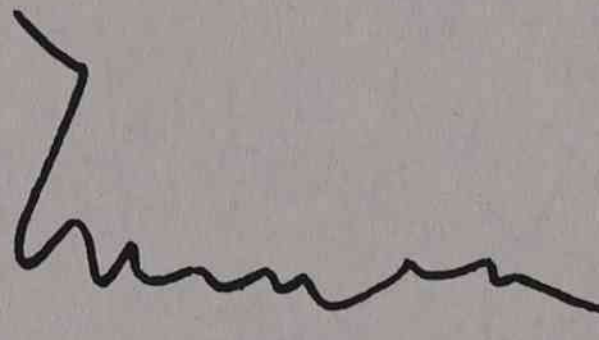


There is a further point which I should like to raise at this stage. The large one-off costs of abolition will mostly arise in 1990-91, when perhaps £50 million will be required. I doubt that ILEA's closing balances and any early income from the sale of ILEA surplus assets will contribute much more than half of that, and perhaps significantly less. We have agreed that the gap should be filled from County Hall receipts. If however these were not available as early as that, the impact on the LRB's levy on the boroughs could be very noticeable.

I know that you are reasonably confident that there will be County Hall receipts by 1990, and that this problem will not therefore arise. If in the event it does, however, I would hope that you would be prepared to consider permitting the LRB to borrow in anticipation of County Hall receipts in order to meet clearly defined expenses which should properly fall to be met in that way.

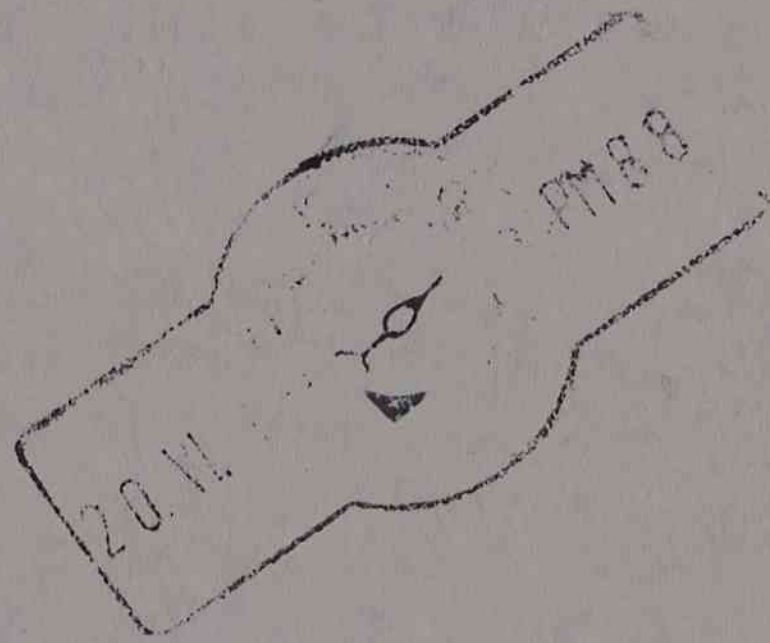
I am not asking for a decision in principle at this stage; the issue is however sufficiently important for it to be flagged as one needing sympathetic treatment should the contingency arise.

I am copying this letter to the Prime Minister, to Peter Brooke, and to the other members of E(EP).





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CONFIDENTIAL

PRIME MINISTER

MEETING OF E(EP): 12 MAY

The meeting takes place before Cabinet.

You saw Mr Baker's paper (Flag A) on ILEA over the weekend. I now also enclose a Cabinet Office brief (Flag B) and some comments by Brian Griffiths (Flag C).

I suggest you take the items in the order they are discussed in Mr Baker's paper:

- (i) The costs and savings from abolition of ILEA. The Cabinet Office brief raises a number of points on this (paragraphs 3-6).
- (ii) Severance scheme for teachers. Brian Griffiths's note includes a number of counter-arguments to those presented by Mr Baker.
- (iii) Amendments to the Bill in the Lords.

*Paul*

PAUL GRAY

11 May 1988

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P 03108

PRIME MINISTER

ABOLITION OF ILEA: COSTS, SAVINGS AND HANDLING IN THE LORDS

E(EP)(88)9

DECISIONS

1. Three main points arise on Mr Baker's paper.

i. It meets an earlier remit to set out the costs and savings from abolition of ILEA. No decision is needed as such, but you will wish to check whether the Treasury, who asked for this information, are content.

ii. Mr Baker recommends that no initiative should be taken now to finance a scheme of selective redundancies for teachers in Inner London, although he proposes to continue specific grants until 1993 to help boroughs with severance costs if in the event it seems necessary. You may want to explore this.

iii. He wishes to provide some assurance about the future of four of ILEA's specialist activities, in time for an announcement to be made in the Lords Committee Stage on 17 May. Giving some such assurance might not prove contentious although there could be some argument about the particular methods proposed by Mr Baker. A decision is needed on whether to agree to what he proposes.

BACKGROUND

2. Following the decision in February to abolish ILEA (E(EP)(88)1st Meeting), the Sub-Committee considered in March the financial consequences of abolition (E(EP)(88) 2nd Meeting). At the request of the Paymaster General, Treasury, Mr Baker was asked to prepare an analysis of the costs and savings which would arise





from abolition in the years after 1 April 1990. You also felt that the case for replicating the severance scheme for Grant Maintained school teachers should be considered further. Mr Baker was therefore asked to recommend arrangements for the handling of ILEA teachers after abolition, which covered in particular how best to ensure that unsuitable teachers did not continue in employment.

## ISSUES

### Costs and Savings arising from Abolition

3. Mr Baker suggests that savings in ILEA's current level of expenditure ought to be obtainable through:

i. Precept control of ILEA's expenditure in 1989/90. ILEA claims to have already put in hand a £100m savings package for 1988-89. But its budget is still £1013m for this year compared with £1015m in 1987-88. The note by Mr Baker's officials suggests (paragraph 4) that the aim for 1989-90 should be for a further reduction in overspend against GRE, whilst not prejudicing the continued operation of the Inner London education service or putting at risk the viability of the schools and colleges to be transferred to the boroughs. You may wish to ask Mr Baker whether he is content that everything is being done to reduce expenditure by 31 March 1990, and the Paymaster General whether he is content (see paragraph 5 below).

ii. Reductions in the boroughs' direct expenditure on education after 1 April 1990. There may be scope for immediate action on adult education fees, discretionary awards policies, and the level of support services. Mr Baker reports (paragraph 6 of annex) that the closure process for individual institutions will have to start after abolition since it will be difficult for ILEA to initiate proposals before they are abolished. It will therefore be some time before boroughs are able to achieve significant rationalisation. You may wish to ask Mr Baker whether there is any way of speeding this up.





iii. Reductions in administrative costs on abolition. As ILEA's administrative services, which are the most expensive in the country, are not being transferred to the boroughs, it ought to be possible to produce some savings from 1990 onwards (administrative costs comprise around 10 per cent of ILEA's current budget). These savings will however be reduced if some boroughs provide administrative support on a lavish scale. You may wish to ask Mr Baker whether he could tackle the latter problem through the powers he is taking (eg to approve the boroughs' plans for education).

4. Mr Baker notes that additional costs will arise from abolition, consisting of the £13m of specific grants to help boroughs prepare for transfer, the costs of redundancy and detriment payments to ILEA employees (up to £50m, but to be financed by unused receipts of the London Residuary Body, sales of ILEA's assets and, if necessary, from a proportion of the receipts from the sale of County Hall), and small additional expenditure on DES administration. These costs are not expected to be contentious between Ministers.

5. The Paymaster General may press for a firm commitment to a further real reduction in the ILEA precept for 1989-90, and for more specific indications on savings in the years after 1990. Mr Baker will wish to retain flexibility on ILEA's precept for 1989-90 until the E(LA) discussions in June and July. He will also be cautious about savings after 1990: although reductions are likely in Wandsworth, Westminster and Kensington and Chelsea, the position is much less certain in the other boroughs. Depending on the discussion, you may wish to refer the decision as to the precept in 1989-90 to E(LA). You might also ask Mr Baker to set out a positive statement of the costs and savings of abolition, for public use by Ministers when required.

6. Mr Ridley is expected to mention that his department has been receiving requests from the inner London boroughs for preliminary guidance on their anticipated expenditure ceiling for education in





1990-91. He may propose that a general form of words - for example such as a cash standstill or a 10% reduction on provision in 1989-90 - be announced as a planning figure in July when the 1989-90 rate level is published. You may wish to ask Mr Ridley to explore this with the Paymaster General and Mr Baker.

#### Severance Scheme for Teachers

7. Mr Baker may give four reasons for suggesting that a severance scheme, along the lines of the scheme for Grant Maintained schools, should not be pursued for ILEA:

- i. there is unlikely to be a marked excess of teachers in Inner London in 1990, and recruitment is already difficult;
- ii. announcement of a severance scheme could worsen current retention difficulties, and thus weaken the position of the schools to be handed over to the boroughs in 1990;
- iii. an amendment to the Bill specifically authorising a scheme would be difficult to get through the Lords, and would add to the problems of getting the remaining ILEA provisions through unscathed; and
- iv. the boroughs, including the Conservative ones, have not asked for such a scheme, and it is not certain that any of them would choose to operate it. The boroughs have much greater financial resources than individual schools opting out, and would therefore be able to fund a limited number of redundancies anyway if they chose to make them.

8. Mr Baker is likely to stress, in particular, the difficulties of getting the Education Reform Bill through the Lords. He suggests that the option of a severance scheme would be kept open if his proposal to extend the specific grant-making power for 3 years is accepted; but the Paymaster General and Mr Ridley may oppose this for wider reasons (see below). Although it might be possible to create alternative means of dismissing unsuitable





teachers, all such schemes are still likely to depend on the willingness of local boroughs to operate them. You will therefore wish to decide whether to press Mr Baker further on the severance scheme proposal. You may wish to ask the Lord Privy Seal whether he endorses Mr Baker's judgement about the difficulty of getting a specific amendment for this purpose through the Lords.

#### Package for Lords Committee

9. Mr Baker's principal concern is the Bishop of London's spoiling amendment. Education Ministers, Whips and the three Conservative boroughs are already involved in a considerable lobbying exercise of Conservative and crossbench peers before next Tuesday. Mr Baker believes that an announcement of assured future funding for four specialist activities currently financed by ILEA - the Horniman and Geffrye Museums, Adult Education at three prestigious colleges, voluntary organisations and provision for the musically gifted - would be very useful in the Lords.

10. Expenditure on each of these activities is relatively minor. Experience of the GLC's abolition, however, suggests that the pressure to deal with exceptional cases is likely to grow as abolition nears. Two concerns about Mr Baker's package are expected to be raised in discussion:

i. the proposal to extend Mr Baker's powers to offer specific grants to cover the transition for 3 further years, to 1992/93. Treasury ministers agreed reluctantly to Mr Baker having specific grant powers for the next two years, to ease the preparations for abolition. But now Mr Baker wants to extend these powers for 3 more years, initially to safeguard the provision for musically gifted children. The Paymaster General and Mr Ridley will view this as the thin end of the wedge, which would create a most unwelcome precedent. They would much prefer an arrangement which avoids Exchequer funding, but involves a call on Inner London community charge payers or the London Residuary Body. You may wish to ask





Mr Baker to explore urgently ways of safeguarding music provision which do not involve specific grants from central Government;

ii. the package requires an announcement that central Government will be the funder of last resort from 1993 onwards for each of the four activities. Again this could be an undesirable precedent, and Ministers may wish to explore the option of additional contributions from London community charge payers instead. Any such exploration will have to be completed quickly if an announcement is to be made by next Tuesday.

Subject to resolution of these points, you may wish to approve this package for use in the Lords.

#### HANDLING

11. You will wish to ask the Secretary of State for Education and Science to introduce his paper. The Paymaster General and the Secretary of State for the Environment will wish to comment. Other Ministers may wish to contribute to the discussion.

RTJW.

R T J WILSON  
Cabinet Office  
11 May 1988



ABOLITION OF ILEA

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The paper by the Secretary of State deals with two major issues:

- i. arrangements for transferred ILEA teachers
- ii. amendments to the Education Bill in the Lords.

i. Arrangements for transferred ILEA teachers

ILEA has a large number of really militant teachers who are members of the Inner London Teachers Association (ILTA). While some boroughs may be enthusiastic in wishing to employ these people, there are certainly others who are not, and more to the point there are many head teachers who are not. The problem at present however is that such individuals are not known personally to the leaders of boroughs such as Wandsworth, Westminster and Kensington. In addition, there are many teachers who disapprove of Government policy and who may be tempted to make the new system unworkable.

We would make it easier for boroughs to set up first class LEAs if they were given similar rights to those proposed for grant-maintained schools. As the opposition to our plans for ILEA has focussed on the ability of the boroughs to set up viable LEAs, the ability of independent schools to choose staff must be an important asset.



The DES appendix raises three objections to this scheme:

a. ILEA teachers would begin to look for jobs elsewhere.

The fact that ILEA must cut its budget clearly puts jobs in jeopardy. But there is no reason why good teachers should feel in any way threatened by this proposal and hence wish to move. If bad teachers or politically motivated teachers felt threatened, this could be a very salutary effect.

It is not at all clear that the introduction of this particular amendment will have any serious effect on teacher supply.

b. Ample procedures exist for dismissing staff.

Ample procedures exist already so it is argued that from April 1992 these will be boosted because the initiative on dismissals will rest with the Government.

This, however, ignores the inertia which has developed within the education service over dismissing teachers. Dismissal of staff who are judged incompetent and unsuitable is exceedingly difficult.

c. Amendments will jeopardise passage through the Lords.

Quite the reverse. If the amendments are explained as strengthening the ability of heads and Government to build up and run first class schools - a major concern of their Lordships - then it should allay their fears, not increase them.

The DES arguments therefore lack substance.



## The Problem of Moderate Teachers

The real problem is the position of moderate teachers. The most sensitive issue among this group is the future of their jobs, if ILEA is abolished. So far they have gone along with our policy, primarily because they have felt secure with our proposals on the transfer of jobs.

### Conclusion

A powerful case exists for giving the new London LEAs the same powers as GM schools. If we do so however the Government will appear to have gone back on its word and we risk alienating moderate teachers.

My personal conclusion is that this change should have been introduced earlier. To do it now would risk alienating moderate opinion unless the Secretary of State is prepared to outline in some detail the criteria of unsuitability.

#### ii. Amendments to the Education Bill in the Lords

The Secretary of State outlines four areas in which changes could be introduced which might sway doubters:

- the Horniman and Geffrye Museum
- Morley College
- Voluntary organisations
- Music provision

All of these are perfectly reasonable proposals and one which the Secretary of State would almost certainly be forced to tackle at some future date. These may sway some doubters. However the proposals are not carefully costed.



Recommendation

Accept the proposals subject to their total cost being set out explicitly and being reasonable.

Brian Griffiths

BRIAN GRIFFITHS



CONFIDENTIAL

RA

PRIME MINISTER

MEETING OF E(EP): 12 MAY

Next Thursday's meeting will be considering the attached paper on ILEA which has just been circulated. We will let you have briefing before the meeting, but you may like to take a first glance at the paper over the weekend. The main points it addresses are:

- (i) Following the discussion at an earlier meeting, whether there should be a specific severance scheme for teachers in inner London. Mr Baker concludes against this, but points to a fall-back under which severances could be implemented and funded by a specific grant.
- (ii) How to ease the passage of the Education Bill through the Lords, following the Bishop of London's amendment which would require an independent review of the organisation of education in inner London before ILEA abolition could take place. Mr Baker proposes announcing proposals, which would have a modest expenditure cost, in four main areas, with the aim of reducing support for the Bishop's amendment.

PLCC.

PAUL GRAY  
6 May 1988

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OTO



C.F.

Pl copy to Policy Unit  
trans p.c.

REC 26/4

Prime Minister<sup>2</sup>

May like to note.

REC 6

25/4

MS

PRIME MINISTER

ABOLITION OF ILEA: DRAFT GUIDANCE TO BOROUGHES

I attach, for information, a copy of the draft guidance on the preparation of development plans which I am sending tomorrow to the Leaders of the inner London councils.

I am sending copies of this minute and attachment to other Members of E(EP) and to Sir Robin Butler.

MS

K B  
Department of Education and Science

25 April 1988



# THE TRANSFER OF RESPONSIBILITY FOR EDUCATION IN INNER LONDON

## DRAFT GUIDANCE

### Introduction

1. Part III of the Education Reform Bill, as amended by the House of Commons<sup>1</sup> sets out the provisions under which the inner London councils (the councils of the inner London boroughs and the Common Council of the City of London) are to become the local education authority (LEA) for their area from 1 April 1990. In particular clause 144 provides that each council is to publish a development plan describing the way in which it proposes to carry out its new education functions. Clause 144 requires councils, in drawing up their development plans, to take into account any guidance given by the Secretary of State. The principal purpose of this document is to set out, as a basis for consultation, the Secretary of State's preliminary view of the matters which will need to be included in development plans, and the manner in which they are to be made available locally. It is therefore designed both to set out the Government's view of the action necessary in order to ensure a smooth transfer of education functions from the Inner London Education Authority (ILEA) to the inner London councils, and to help councils reach decisions which will form a sound foundation for the future.

2. The present text does not attempt to offer comprehensive guidance on all issues which will need to be addressed; many areas will need to be the subject of discussion between the Department and councils, and ILEA as appropriate, over the coming months. In the light of those discussions, and of comments received, this document will form the basis of statutory guidance

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<sup>1</sup> References to clause numbers relate to the Bill as printed for introduction in the House of Lords.



to be issued as soon as possible after the Bill has received Royal Assent.

3. It is the Government's firm view, not only that the inner London councils are capable of becoming effective LEAs, responsible in their own right for the full range of services, but above all that this restructuring will provide a stable framework within which to secure urgently-needed improvements in the performance and accountability of the education service in inner London. The Government however recognises that councils may wish in certain specific areas of provision to consider establishing arrangements for co-operation between councils. In general the Secretary of State believes that where such co-operative arrangements are considered to be appropriate they are likely to be most effective where they operate on a voluntary basis rather than under the formal provisions for a joint education committee under Part II of the first Schedule to the Education Act 1944. The Department of Education and Science has established an Inner London Unit to assist councils with the process of transfer; the Unit will be seeking early discussions with councils in order to consider these and other questions which will need to be covered in development plans. The professional advice of HM Inspectorate will also be available to those concerned in the boroughs and ILEA. The Authority and its officers will have a vital part to play over the next two years, not least in offering advice and in providing, in accordance with the provisions of clause 166, information which the new authorities will need if they are to plan properly for their new functions.

4. Clause 144 specifies that development plans must be prepared and published not later than such date as the Secretary of State may direct. The Secretary of State has decided that these plans must be published by 28 February 1989, in order to



allow as much time as possible for the necessary preparations for transfer of responsibility.

5. The principal purpose of the development plan is, in the words of clause 144, to describe "the manner in which the council proposes to perform the functions of a local education authority for its area". Subsection (2) requires the development plan to -

- (i) list the property belonging to ILEA which, in the council's opinion, needs to be transferred to it for the purpose of enabling it properly to perform its LEA functions;
- (ii) specify all schools situated inside the council's area which are currently maintained by ILEA; and
- (iii) specify any schools situated outside the council's area which are currently maintained by ILEA and which the council would wish to maintain in exercise of its LEA functions.

These provisions are explained more fully in paragraphs 37-42 below.

6. Subsections (3) and (4) make provision for the consultation a council is to undertake in drawing up its development plan. This is considered further in paragraph 45 below.

7. Subsection (5) provides for the publication of development plans. Desirable arrangements for this purpose are considered in paragraph 46 below.



8. The following section of this circular sets out, in accordance with clause 144(3)(b), the Secretary of State's preliminary view of the subjects to be addressed in each council's development plan. It also suggests some important questions which councils will need to consider in arriving at decisions about the way in which they wish to provide particular aspects of their education service. Two items in particular need to be singled out.

9. Councils are required to submit to the Secretary of State proposals for the establishment of an education committee in accordance with the provisions of Schedule 1 to the Education Act 1944.

10. The administrative organisation proposed for the education department from April 1990 will be an important determinant of councils' effectiveness as LEAs. The development plan should set out in broad detail the departmental structure envisaged, identifying individual senior posts and the lines of responsibility between them. Councils will be aware that as LEAs they will be under a duty to appoint a Chief Education Officer. In drawing up their proposals councils should take particular account of the staffing implications of the preparation and implementation of schemes of financial delegation to schools and colleges, as required under the Education Reform Bill. In the case of the inner London boroughs it is envisaged that, subject to consultation on the progress of the transfer of education functions to them, schemes should be submitted to the Department by 30 September 1991, with implementation beginning in April 1992 and completed from April 1994. The Department will wish to consider with councils and ILEA the future of services provided by ILEA staff in areas such as research and statistics, supplies and the direct labour organisation.



11. In addition, there will be a need for initial expertise during the preliminary stages of preparation for the transfer of functions, including drawing up the development plan; and subsequently for sufficient staffing to carry out important transitional executive functions before April 1990, for example in relation to school admissions or the administration of student awards, or the capital programme. (The Department proposes to discuss with councils and ILEA arrangements for these transitional tasks.) Dependent on the publication of satisfactory plans in relation to these matters, the Government proposes to make available specific grant to assist the inner London councils with the start-up costs of taking on LEA responsibilities. Details of these proposals are at Annex A.

#### Content of Development Plans

12. The Secretary of State expects that development plans will set out the council's general approach to the provision of the full range of education services for its area, any necessary arrangements for smoothing the transfer of responsibility, and the extent of any co-operative arrangements it proposes to enter into with other LEAs. Councils will also need to take into account the educational provision made by the Churches and other voluntary bodies, and they may wish to seek the observations of the voluntary sector and of the relevant Diocesan Directors of Education. In particular, development plans should include the following items.

13. Projections of population resident within the council's area by year-group between the ages of 0 and 19, for at least a five-year period from 1990. Set in the context of these projections should be the projected numbers of pupils and students, taking account so far as possible of local housing policies, the take-up of places in independent schools, and of projected pupil and student movement across boundaries into and



out of the council's area. These figures, arranged by year group, should include the under fives, the age groups for compulsory education, those projected to be receiving education in the 16-19 age group, whether in school or college, and the projected demand post-19. These projections should be related to the capacity of the institutions which the council would expect to inherit from ILEA - see paragraphs 37 to 42 below - and to the capacity of voluntary schools in the council's area which will remain in the ownership of trustees. Councils will need to take account of the provisions for more open enrolment in clauses 19 to 24 of the Education Reform Bill.

14. The council's intentions with regard to the organisation of educational provision in its nursery, primary and secondary schools. The duty of the LEA to secure sufficient provision for pupils of school age can be fulfilled either through the schools maintained by the authority or through access to schools in neighbouring LEAs. School admissions in London have been governed by the "free trade" between LEAs secured initially by the London Government Act 1963. In considering arrangements for the transfer of schools the Secretary of State will wish to take account of the totality of available provision; he will therefore expect councils to have consulted neighbouring LEAs about the arrangements they propose in their development plans. These arrangements should be related to the specific institutions and premises which the council would expect to inherit and should take account of the respective responsibilities of the LEA and the governing body with regard to the organisation of voluntary schools. Among other questions, the development plan should address the range of provision for the under-fives. Councils will be aware that clause 145(4) requires them to maintain without change of character those schools which are transferred to them by order, unless and until the appropriate statutory procedures under the Education Act 1980 (in the case of special schools, the Education Act 1981) have been complied with. Transfer of schools



by order in this way would not imply the Secretary of State's automatic approval of any school reorganisation scheme mentioned by a council in its development plan. Any proposals subsequently made by a new LEA under the Education Acts 1980 or 1981 would be considered on their individual merits.

15. The council's intentions with regard to provision for the 16-19 age group in schools and colleges. Circular 3/87 invited LEAs to review, plan, and take the necessary action to organise their provision for the whole of the 16-19 age group, so as to maximise educational effectiveness and value for money. In planning provision for this age group councils should consider the size and type of institutions, both school sixth forms and FE colleges, available and the courses each is to provide. They should take account of the likely demand from students both in their area and outside it, and of the development plans for work-related FE in their area which have been drawn up by ILEA with the Manpower Services Commission.

16. The arrangements proposed for admissions to the schools which the council would propose to maintain. Councils will be aware that mandatory arrangements for recoupment apply, and that those for ordinary schools, like those in further education, operate at standard rates, except those in relation to school pupils with special educational needs which operate at full cost. Admissions arrangements should take account of the requirements of sections 6 to 9 of the Education Act 1980 (including the provisions relating to appeals against admission decisions); of Schedule 2 to the Education (Approval of Special Schools) Regulations 1983 in relation to children with special educational needs; of the effect of clauses 19 to 24 of the Education Reform Bill, which make provision for more open enrolment; and the fact that admissions to aided and special agreement schools are controlled by the governors. Development plans should explain in particular detail the arrangements the council would propose to



make, in conjunction with ILEA or governing bodies as necessary, in relation to admissions in September 1990. The Department will wish to discuss the most appropriate arrangements for the transitional year with the councils, voluntary bodies and ILEA.

17. The council's policy on the school curriculum, how it plans to exercise its functions with a view to securing that the requirements of clauses 6 and 15 of the Education Reform Bill, and other requirements relating to religious education, are complied with by the schools in its areas, and how it proposes to make arrangements for the consideration and disposal of complaints arising under clause 16. The Secretary of State will wish to be satisfied that the authority's plans will secure effective arrangements for the progressive implementation of the National Curriculum in its schools; that its plans will provide for continuity in the provision made for those parts of the National Curriculum which are required of schools on 1 April 1990; and that there will be similar continuity with any preparatory work that has take place in the area before that date for the implementation of other parts of the National Curriculum in September 1990.

18. The Department has received representations about the arrangements for the provision of instrumental music tuition in inner London after April 1990 and will be seeking discussions with the councils and the ILEA on this issue.

19. Policy on special educational needs in the various sectors of education, and the way in which the council would propose to implement this with projected numbers set against the institutional framework envisaged. The duty on an LEA is not to provide a full range of special educational provision, but to secure appropriate provision for the pupils and students for whom it is responsible. As noted above, recoupment for school pupils with special educational needs is at full cost. Councils should



therefore indicate the extent to which they would intend to secure provision in maintained schools, both special and ordinary, and in further education institutions, in their area or in neighbouring areas, and in non-maintained special schools and independent schools. The Secretary of State's initial view is that in general he would expect each borough to maintain any ILEA special school which is within its area, although decisions about the allocation of institutions to councils will reflect the totality of councils' plans, in order to ensure the satisfactory maintenance of provision in inner London. Subject to that assumption, the development plan should state clearly the council's intentions with respect to:

- (a) any maintained special school in their area which services more than a local need - for example, because it caters for a minority handicap; and
- (b) any residential special school at present maintained by ILEA outside the inner London area for which the council proposes to assume responsibility.

There will need to be further discussions before firm proposals can be made about the latter group of schools. The Secretary of State proposes to establish a working party to consider their future. Representatives will be invited from ILEA, both the inner and outer London boroughs, and the county authorities where the schools are located. The council's proposals should take account of any special provision for 16 to 19 year olds which is to be made within further education (paragraph 21 below). The development plan should also set out the arrangements which the council proposes to make to enable it to carry out its duties under section 4 of the Education Act 1981, in particular the arrangements for securing medical and psychological advice.



20. Pupils from ethnic minorities may have special educational needs. Local authorities have a statutory duty under section 71 of the Race Relations Act 1976 to promote equality of opportunity. Councils will need to take account of the projected numbers of such pupils in their area, and to set out the arrangements they propose for securing appropriate teaching of English and other educational initiatives directed at improving the attainment of ethnic minority pupils.

21. The council's intentions with regard to the provision of further education, and how it would be organised. This should indicate the pattern of provision proposed to meet the various education and training needs of those in the council's area over the age of 16 who have left school, including continuing vocational education, non-vocational adult education and provision for students with special educational needs. It should take account of the extent to which students from outside the council's area are attending, and can be expected to want to attend in future, courses provided in the institutions which they will inherit. As with schools, the statement should be related to the specific institutions and premises which the council would expect to inherit (including assisted colleges falling within the council's area), showing the types of provision each would offer. It should reflect the council's plans for the 16-19 age group referred to in paragraph 15 above. Particular questions to be addressed include:

- the council's policy as regards the maintaining of provision of London-wide, regional or national significance which it would inherit;
- the use which the council expects to make of provision outside its area, and the need for any cooperative arrangements with other LEAs;



- the council's intentions with regard to the commissioning of further education provision from institutions which are to be transferred to the polytechnics and colleges sector.

Councils should also state their intentions with regard to the provision in the colleges which they will maintain or assist of those categories of higher education which will not be funded through the Polytechnics and Colleges Funding Council, taking account of such higher education provision as the PCFC may be expected to commission in those colleges. The Secretary of State's policy will be to secure continuity in the broad pattern of further education provision in inner London; he will transfer colleges to councils in accordance with that policy.

22. The Council's intentions with regard to adult education carried out in Adult Education Institutes maintained and assisted by ILEA. The plans should indicate what buildings at present devoted specifically to adult education it would expect to inherit; what other buildings, such as schools, it would plan to use; and what its intentions are for the support of assisted institutes. Consultation with neighbouring boroughs would be appropriate in considering the future organisation of institutes which at present operate across the boundaries of more than one borough, to ensure the most sensible disposition of existing buildings and the most satisfactory organisation of present resources. The Secretary of State believes that it would normally be appropriate for such institutes to be so organised that they use premises falling within the area of the council concerned. The council should indicate what use it expects to make of provision outside its area, whether it plans to negotiate reciprocal recoupment arrangements for adult education with other LEAs and, if so, on what basis. The Secretary of State will expect councils to consider the need for co-operative arrangements with other LEAs where this may be appropriate. The



arrangements for education in Prison Department establishments will be the subject of discussion between the DES, the Home Office, ILEA and the councils most concerned.

23. Annex B sets out the arrangements which will be operated in relation to a number of specific grants, including -

Education Support Grants;

the LEA Training Grant Scheme;

the Technical and Vocational Education Initiative;

contracts with the Manpower Services Commission for the provision of work-related further education, and any funding received from the MSC's Work-related FE Mutual Development Fund;

Section 11 Grants;

the Urban Programme;

the Department of Employment's Careers Service Strengthening Scheme.

The development plan should give as much information as possible at this stage as to how councils would wish to make use of each grant.

24. In addition to those just referred to, there is a range of other contracts between the MSC and ILEA covering the delivery of elements of schemes such as YTS. Councils will need to consider the implications of such MSC-funded provision in their area in drawing up their plans. It will be for the new LEAs to



make appropriate arrangements with the MSC in respect of schemes from April 1990.

25. The Secretary of State attaches particular importance to effective in-service training for teachers. As mentioned above, Annex B sets out the proposed arrangements for the LEA training grant scheme in 1989-90 and 1990-91. In their development plans, councils should show in outline how they plan to prepare to manage staff development. They should also give an indication of the scale of support they envisage providing; in terms of both staff (advisers, advisory teachers, etc) and facilities (teachers' centres etc). A timetable should be included to show when the management structure will come into place and how the introduction of planning for staff development will be phased.

26. The arrangements and organisation proposed for the careers service, under the Employment and Training Act 1973, in accordance with statutory guidance issued by the Secretary of State for Employment, including any arrangements for cooperation with other local education authorities in the provision of this service. More broadly, councils will need to consider arrangements for links with local industry and commerce, for example in the context of providing work experience placements. The Department of Trade and Industry makes limited support available from time to time to encourage activities linking education and the world of work.

27. The arrangements proposed for the organisation and management of the youth service, including support, advice and training of youth service personnel, and proposed arrangements for involving voluntary youth organisations in securing this provision. These arrangements should take particular account of the importance of provision for disadvantaged young people.



28. The arrangements for the exercise by the council under the Education Acts of its duties in relation to school attendance, including the arrangements proposed for the education welfare service. The development plan should also deal with other aspects of pupil welfare, such as the council's duties in relation to the provision of clothing and pupil support, and should cover the arrangements it proposes for the child guidance service in its area. The Department would be ready to discuss this with the councils, ILEA and the relevant district health authorities as necessary.

29. The functions, structure and complement envisaged for the local inspectorate and the part it will play in support of teaching quality and the curriculum, and in enabling the authority, governing bodies and headteachers to fulfil the duties imposed on them by clause 6(1) of the Education Reform Bill. The Secretary of State will wish to know, in particular, how the organisation of the local inspectorate will relate to the general administrative structure (see paragraph 10 above), how it will cover the primary and secondary phases, the foundation subjects of the National Curriculum, and special educational needs. Boroughs will also need to consider the desirability of similar support in relation to other aspects of provision including further education, and in relation to the requirements of ethnic minorities. Where it is proposed that arrangements will be made in cooperation with the inspectorates of one or more other authorities, details of these arrangements should be supplied. Similarly, the development plan should explain the structure and complement envisaged for educational psychologists, and their functions, particularly in respect of assessments under the Education Act 1981 and the council's responsibilities under clause 6(1).

30. The arrangements proposed for providing school meals and educational catering generally. These should take account of the



requirements of section 22 of the Education Act 1980, as amended by section 77(2) of the Social Security Act 1986, and the requirements for competitive tendering contained in the Local Government Act 1988.

31. The arrangements proposed for the provision of school transport. These will need to be in accordance with the provisions of section 55 of the Education Act 1944, as amended by section 53 of the Education (No. 2) Act 1986, and clause 88 of the Education Reform Bill. In particular, information will be required about the proposed policy in respect of provision of transport for pupils with special educational needs and for pupils whose parents wish them to attend a school which is not the nearest available one. Councils within whose boundaries garaging facilities for ILEA's school transport fleet are located should state whether they propose to retain these facilities and, if so, how they would propose to co-operate with other councils in their use.

#### Funding and Budgets

32. The funding arrangements that will apply from 1 April 1990 under the new local government finance system are set out in Annex C. This explains that each borough will receive a Government grant. During a transitional period to 1994 the amount of grant will increasingly include an element based on an assessment of need to spend on education, while initially it will be related to London authorities' previous expenditure and income from all sources, including attributed expenditure on education. The composition of needs assessments is being reviewed, but the education needs assessment is likely to continue to be based principally on the number of pupils and students resident in the area with an allowance for socio-economic factors. Councils will need to make clear their assumptions about the likely cost in 1990-91 of the provision they inherit from ILEA and their own



administration costs. As noted in paragraph 11 above, the Department will wish to discuss with councils and ILEA the arrangements for capital allocations in 1990-91. In all years after 1990, expenditure above that allowed for on any service will feed through pound for pound as an increase in community charge. Equally, any savings in expenditure will reduce the community charge borne by London residents.

### Staffing

33. Clause 149 of the Education Reform Bill gives the Secretary of State a power to transfer staff by Order from employment by ILEA to employment by a successor authority. This power will be used to transfer to the inner London councils all staff who at the abolition date are employed at individual schools and colleges inherited by those councils. These arrangements will cover full-time and part-time staff, and both teaching and non-teaching staff. Staff transferred in this way will preserve their existing terms and conditions of service. In relation to other categories of ILEA staff, the Department will wish to discuss with councils and ILEA arrangements for transfer or recruitment.

34. Clause 147 of the Bill requires the Secretary of State to set up a Staff Commission. This will have an important role in assisting with staff recruitment. It is expected that the Staff Commission will operate in a similar way to that set up at the time of the abolition of the GLC: this will mean that the individual authorities will be expected to consider first applications from ILEA employees for education-related posts. The Staff Commission is expected to be fully operational by early 1989. Annex D gives more details about the Staff Commission and about the intended redundancy compensation and detriment arrangements.



35. Continuity will be important both during the period leading up to transfer of responsibilities and at the abolition date itself. Councils may want to call upon the expertise which is available among ILEA's staff so that it can continue to be used for the benefit of the education service in inner London. As noted in paragraph 11 above, they will need to make some initial staff appointments in order to prepare their development plans. From the Autumn of 1989 further appointments will be needed to prepare for the handover of responsibilities. It will be important, however, for ILEA to retain adequate administrative and support services up to 31 March 1990. Councils will therefore need to consider such ideas as dual appointments so that staff can be secured early for eventual service with the boroughs, while their experience can remain available during this period to ILEA.

36. Development plans should therefore set out:

- (a) plans for recruiting from or transferring those staff not employed to work at individual schools and colleges;
- (b) broad plans for building up education-related staff numbers prior to 1 April 1990, including the timing of commitments to staff about future employment, and the timing of the start of employment for staff whose employment with the borough would start in advance of 1 April 1990;
- (c) plans for dual appointments in the period leading up to abolition.

#### Property

37. Clause 144(2)(a) of the Bill requires development plans to be accompanied by a list of the property which, in the



council's opinion, would require to be transferred to it for the purpose of enabling it properly to perform its functions as a local education authority. Subsection (2)(b) requires councils to list the ILEA schools in their area, together with any others they wish to maintain. The purpose of this provision is to ensure that the continuity of operation of schools will, in the absence of proposals under the relevant provisions of the Education Acts 1980 and 1981, be maintained. Other than in exceptional cases, the "schools lists" will correspond exactly with the relevant sections of the property list, but will in addition include voluntary aided and special agreement schools whose premises will remain the property of trustees.

38. Clause 146 sets out the general conditions under which orders may be made transferring property from ILEA to an inner London council. Councils should note that the Secretary of State will be prepared to transfer to them only that property clearly required in connection with their LEA functions. All surplus property will pass automatically to the London Residuary Body in accordance with the provisions of Clause 156.

39. Subject to that, and to the considerations discussed in paragraph 40 below, councils may in general expect to inherit the ILEA property located within their area for which there is a continuing educational requirement. There may in addition be property located in one council's area but which has traditionally served another area or would be of more educational value in serving the area of another council than in remaining with the "home" council. Where a council can make out a strong case for inheriting property located outside its boundary, the Secretary of State will be prepared to consider this, in the light of any representations made by other bodies. The Secretary of State will consult interested parties and the London Residuary Body as necessary in cases of dispute.



40. In the case of an institution mainly based in one borough but having some of its facilities located outside that borough, including for example cases where further education colleges have sites in more than one borough or where playing fields in one borough serve a school in another or in more than one borough, the following procedure will apply -

- (a) Councils should attempt to agree a solution with their neighbours in drawing up their development plan.
- (b) The Secretary of State will in general be guided by the principle that institutions should remain as an entity, and that they should transfer to the predominant owner, using the location of the largest area of floor space as an initial criterion, but taking account also as appropriate of the intensity of use of each site (measured by pupil or student numbers). The latter criterion might be particularly appropriate in determining the ownership of playing fields. The Secretary of State does however have the power not to leave an institution with the predominant owner, if a convincing case is made out by another authority for an exception to be made. In the case of adult education institutes the Secretary of State will normally expect reorganisation where necessary so as to correspond with the areas of the councils concerned (see paragraph 22 above).
- (c) It would be open to a council where necessary to negotiate user rights in property located within its own boundaries, or in property located outside its boundaries to which institutions within its boundaries had traditionally had access. The relevant property transfer order might require the owner to make available such rights.



41. In submitting the list of property which it proposes to inherit, a council should include, in relation to each set of premises or land, the following information:

- (i) a schedule of teaching and non-teaching accommodation including all temporary accommodation, making clear the location and total floor-space or area;
- (ii) the use to which the property would be put. In general, the Secretary of State would not expect councils to propose significant changes in the use of teaching accommodation.

42. Any property transfer orders made under clause 146 will provide that land and buildings should be transferred together with the property (including records and other documents) which they contain. The Government will be setting out at a later stage recommendations to councils on the preparations for transfer of moveable items of property.

#### Grant-maintained schools

43. Under the provisions in clauses 42 to 92 of the Education Reform Bill, county and voluntary secondary schools in England and Wales, and primary schools with more than 300 registered pupils, will be able to apply to the Secretary of State by means of a public procedure to become grant-maintained. It will be possible to make applications at any time following the enactment of the Bill and it is envisaged that the first grant-maintained schools will begin to operate in their new status from the beginning of the school year 1989-90. Schools will not be able to change their character as part of the application. Since the approval of any applications from schools in inner London will affect the number of schools to be



transferred from ILEA to the boroughs, the Department will ensure that the views of the boroughs as well as of ILEA are sought on any applications which are made.

44. The annual maintenance grant paid to grant-maintained schools will correspond to the level of funding which would have been made available to it had the school remained under local authority control. This sum will be paid to the school by the Department, and a corresponding amount will be recovered from the local education authority which formerly maintained the school. In inner London the recovery in the financial year 1989-90 will be from ILEA; in subsequent years it will be from the successor authority within whose area the school is situated. From 1990-91 onward, the successor authorities to ILEA will receive revenue support grant in respect of pupils resident in their area including pupils attending grant-maintained schools.

#### Preparation and publication of development plans

45. The Department's Inner London Unit will be available at every stage to discuss with councils their development plans as they take shape. In addition, clause 144 requires councils, in preparing their development plans, to consult the local authorities for adjacent areas and to take into account any guidance by the Secretary of State on the question of consultation. The Secretary of State believes that it will normally be appropriate for councils to consult all local authorities and other public bodies with a substantial interest in the arrangements they propose for their area, including as necessary ILEA. This will be particularly important where a council expects to inherit FE or other provision of regional significance. Diocesan and other relevant voluntary bodies (including those within the ethnic minority communities) and other groups with a direct interest should also be consulted. The



form taken by this consultation is a matter for the council concerned.

46. Once drawn up, a development plan is, under clause 144(5), to be published in such a manner as the council considers likely to bring it to the attention of all who may be affected, and copies are to be readily available during office hours. A copy of the complete plan should be submitted to the Secretary of State, and should be made readily accessible locally, perhaps in council offices and public libraries. In addition, the Secretary of State believes that boroughs may wish to draw attention through the local media to the plan's availability and to its main contents, and perhaps also to produce summaries for wide distribution, making it clear that continuing public debate on the plan will be helpful. The Government believes that councils will wish to take account of views expressed on the published development plans as they finalise arrangements for the transfer of responsibilities and consolidate their policies for the education service.

#### General

47. Any queries in relation to this document or requests for additional copies should be addressed to -

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Department of Education and Science  
April 1988



## ANNEX A

### SPECIFIC GRANT AID TO INNER LONDON COUNCILS

1. The Minister of State, Mrs Angela Rumbold, announced to the House of Commons during discussion at the Report Stage of the Education Reform Bill on 28 March 1988, that the Government recognised that the preparatory work involved in becoming a local education authority would inevitably impose some additional financial burdens on the inner London councils. She went on to say that the Government intended to provide specific grant aid in 1988-89 and 1989-90 which could be used by the councils for preparatory work such as the appointment of consultants, making preliminary appointments of administrative staff and establishing information systems. The sums available for distribution between the councils would be up to £3 million in 1988-89 and up to £10 million in 1989-90. Grant would be paid at 100%.

2. The Government will be introducing amendments while the Bill is before the House of Lords, in order to empower the Secretary of State to make these payments. Detailed guidance on the arrangements for allocation of the sums available will be announced later, but it is envisaged that they will be broadly as follows.

#### 1988-89

3. Applications for the £3 million specific grant in relation to 1988-89 will have to be received by the Department not later than 31 October 1988. It will be a condition of the grant that such applications should set out clearly the expenditure which is to be supported by the grant, including the appointment of suitable consultants and arrangements for public consultation and publicity in relation to the development plan. The grant available to each inner London borough would be up to £240,000, and for the City of London up to £120,000.

#### 1989-90

4. Councils will be invited to submit applications in two stages for the £10 million specific grant in 1989-90 - the first application coinciding with the publication of the development plan by February 1989, and the second containing details of arrangements in hand for implementing the plan, not later than September 1989. The first tranche, covering up to 50% of the ceiling available for each council, would be dependent upon the submission of a development plan which made a serious attempt to cover all the ground identified in the Secretary of State's statutory guidance, including in particular proposals for the management structure of the education department. The application would have to be accompanied by a detailed explanation of the expenditure to be supported. The second tranche of grant would be available subject to confirmation of satisfactory progress in planning for the transfer of responsibilities.



5. The sum available for the City of London would again be £120,000. So far as the inner London boroughs are concerned, 50% of the remaining £9.88m would be allocated uniformly between them, with the remaining 50% in proportion to the school population in each borough. By way of illustration, the sums available for distribution on this basis might lie between some £1 million for Greenwich and £580,000 for Kensington and Chelsea.

#### Expenditure to be Supported

6. The Secretary of State will issue guidance on the expenditure to be supported by these grants. This is likely to include such items as:

- initial senior appointments;
- the appointment of additional outside consultants to assist with drawing up the development plans, with preparing a proposed management structure, and for developing arrangements for financial delegation to schools and colleges;
- public consultation and publicity in connection with the development plans;
- additional middle level and junior support in 1989-90 to prepare for responsibilities eg in relation to school admissions, student awards, school meals, school transport, the planning of FE provision etc;
- new information systems;
- additional costs arising in existing departments in councils, eg those concerned with accommodation and personnel.



## ANNEX B

### SPECIFIC GRANT PROGRAMMES

1. There are a number of specific grant programmes under which funds will be available to councils. The main programmes are:

Education Support Grants (administered by DES);

Local Education Authority Training Grants Scheme (administered by DES);

Technical and Vocational Education Initiative (administered by the MSC);

Work-related NAFE Mutual Development Fund (administered by the MSC);

Section 11 Grant (administered by the Home Office);

The Urban Programme (administered by the Department of the Environment);

The Careers Service Strengthening Scheme (administered by the Department of Employment).

2. Councils will wish in preparing their development plans to take note of the availability of these specific grant programmes, and to indicate in general terms how they will wish to make use of them.

3. Some of these programmes are operated on a financial year basis. For these the intention is that the individual councils should take the lead in bidding for support in the financial year 1990-91. This is discussed in more detail in the individual notes appended to this Annex.



## EDUCATION SUPPORT GRANTS

1. The Education (Grants and Awards) Act 1984 empowers the Secretary of State to pay education support grants to local education authorities in England. The aim of the grant is to encourage LEAs to redeploy a limited amount of expenditure into activities which appear to the Secretary of State to be of particular importance. A list of the activities being supported in the 1988-89 programme is attached. Ministers have indicated that they intend that future programmes will reflect closely the priorities of the Education Reform Bill. The programmes are subject to statutory consultation with the local authority associations.
2. It is expected that expenditure in connection with ILEA projects already approved which runs into 1990-91 and beyond will be met by the relevant inner London councils. In putting forward bids for 1989-90, the ILEA will be asked where possible to disaggregate its bids to individual council level and to identify any consequential expenditure in future years.
3. From 1990-91 grant will be paid to the inner London councils as education authorities. Councils will be invited to bid for such grants; those bids will be considered alongside bids from existing LEAs for 1990-91. The Department will wish to discuss with the councils concerned how this is best achieved. The Secretary of State will in any event expect councils to discuss their bids with ILEA before submitting them. A circular inviting bids would normally issue in the Spring of 1989 and bids would be assessed in the Autumn of that year. It may be possible to allow a little more time for the inner London bids if necessary.



EDUCATION SUPPORT GRANTS

EXPENDITURE (£M) APPROVED FOR SUPPORT IN 1988-89

Activity	New Starts	Commitments From Previous Starts	Total	No. of LEAs
1. IT in Schools	19.0	-	19.0	ALL
2. GCSE Books and Equipment	10.0	-	10.0	ALL
3. Maths in Schools	4.6	2.7	7.3	ALL
4. Primary Science & Technology	2.9	5.9	8.8	ALL
5. Misuse of Drugs	2.3	0.4	2.7	96
6. Computer Aided Engineering	2.2	-	2.2	21
7. Management Information in FE	2.0	-	2.0	31
8. Multi-Ethnic Education	1.5	1.5	3.0	67
9. Records of Achievement	1.2	-	1.2	7
10. Learning By Achievement	1.1	-	1.1	26
11. Portage	1.1	1.9	3.0	59
12. Open Learning	1.0	-	1.0	40
13. Education Needs of the Unemployed	0.9	0.9	1.8	63
14. Diversification of First Foreign Languages	0.3	-	0.3	10
15. IT in NAFE	0.2	4.5	4.7	89
16. Midday Supervision	-	40.5	40.5	ALL
17. Teacher Appraisal	-	2.2	2.2	-
18. Rural Primaries	-	1.6	1.6	14
19. Social Responsibility	-	1.3	1.3	20
20. PICKUP	-	0.8	0.8	24
21. Urban Primaries	-	0.6	0.6	5
22. Spoken Word	-	0.4	0.4	7
<b>TOTAL</b>	<b>50.3</b>	<b>65.2</b>	<b>115.5</b>	



## APPENDIX 2

### LOCAL EDUCATION AUTHORITY TRAINING GRANTS SCHEME

1. The LEA Training Grants Scheme (LEATGS) supports expenditure on in-service training for teachers at schools and colleges (including adult education), LEA advisers, youth and community workers and educational psychologists. Eligible costs are defined in the Education (Training Grants) Regulations 1987. In summary, they are fees, travel and subsistence, planning and provision of training, and the costs of releasing trainees to attend training. The bulk of the grant is paid to support training for purposes identified by LEAs. A smaller sum is paid at a preferential rate to support training in areas identified as national priorities. These are reviewed annually. The list for 1988-89 is contained in DES Circular 9/87. Copies are available from the Department (Room 4/25), as are copies of the proposal, monitoring and claim forms currently in use.

2. Grant is distributed among LEAs in relation to pupil numbers. The total of expenditure on which grant is available in the ILEA in 1988-89 is £9.8m. Before they can receive grant, LEAs are required to submit proposals for the way they will manage the training. These must cover the LEA's approach to identifying training needs in consultation with teachers and in relation to LEA policies, providing appropriate training, ensuring it takes root at classroom level, and evaluating the effects of this process. In the light of the Secretary of State's assessment of the proposals, the final allocation of grant may be higher or lower than pupil numbers would indicate; or conditions may be attached to its payment. Proposals are required some six months in advance of the financial year.

3. Proposals for support under LEATGS in the 1989-90 financial year will be made by ILEA. The Secretary of State will expect them to take account of the transfer of responsibilities to councils at the end of the year.

4. The Secretary of State intends to invite councils to make proposals for support under LEATGS in 1990-91. These will be required in Autumn 1989. The Secretary of State recognises that they cannot then be based on detailed consultation with the teachers. He will however expect councils to have discussed their bids with ILEA and to be able to give an indication of their approach to identifying priorities and their intentions for consultation. He will also seek evidence that the councils have plans for the management of the expenditure. More detailed guidance will be given in summer 1989, with an indication of the maximum expenditure on which the grant will be available. The proposals will form the basis of discussions with councils, in preparation for the submission of full proposals for the 1991-92 cycle.



## THE TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE (TVEI)

1. The Technical and Vocational Education Initiative (TVEI) aims to promote relevance and the practical application of knowledge, skills and understanding within the framework of the Government's overall policies for the curriculum. The Initiative is designed for 14-18 year olds of all abilities in full-time education and is funded by the Manpower Services Commission (MSC). By the end of the programme in 1997 over £1 billion will have been devoted to TVEI.
2. Negotiations are well advanced on a proposal from ILEA to run a limited TVEI preparatory scheme in a number of inner London schools from the start of the 1988/89 academic year. This will be designed to test approaches to TVEI in preparation for an extension of TVEI with MSC funding to all inner London schools from 1991. Such preparatory scheme contracts normally run for 3 academic years in order to provide 3 years of enhancement to the education of at least one cohort of youngsters and thus fully to involve 16+ providers. In the circumstances, councils will be expected to carry on the preparatory scheme in their area, with the support of MSC funding, during 1990/91. However, there will be opportunity for discussion of the scheme with MSC and some scope for variation if this seems appropriate in its last year (1990/91). A condition of the initial contract with ILEA will be that action is taken to disseminate information about the progress of the preparatory scheme across all secondary schools and FE colleges maintained by each council.
3. The Government hopes that councils will want to involve all their schools and colleges in TVEI in due course. MSC will be reviewing the basis on which this can most sensibly be done. Details of the arrangements will be made available to councils in good time to allow them to prepare proposals.



## WORK-RELATED FURTHER EDUCATION

1. The Manpower Services Commission agrees annually with each local education authority a three year development plan for their provision of work-related further education (FE) and an annual programme for the coming academic year. Agreement on this plan and programme is the condition for release of MSC funds representing some 10% of the total cost of FE provision.
2. Discussions will begin with the ILEA in Autumn 1988 about the programme from September 1989. In these discussions, the MSC will ask the ILEA to make its proposals in a form that readily displays the implications for the provision by each inner London council after 1 April 1990. The MSC will ask the Authority to consult councils on its proposals before putting them to the Commission.
3. The MSC intends that in the following planning round, relating to provision from September 1990, its discussions will be conducted with individual boroughs. Such discussions will begin in Autumn 1989 and will be completed after 1 April 1990 when councils have become local education authorities.
4. The MSC also has a mutual development fund, currently £8m per annum for the whole of England and Wales, which is used for specific grants to fund particular initiatives in work-related FE. When the MSC considers bids from ILEA for activities which extend beyond March 1990, it will seek the views of the councils concerned before agreeing to make funds available. The intention is that any proposals for initiatives to start after March 1990 will be made by the councils, and can only be agreed with them after the councils become local education authorities on 1 April 1990.



## SECTION 11 GRANT

1. Grant under Section 11 of the Local Government Act 1966 is payable to local authorities who have to "make special provision in the exercise of any of their functions in consequence of the presence within their areas of substantial numbers of immigrants from the Commonwealth whose language or customs differ from those of the rest of the community". Grant is paid by the Home Office on the employment of staff at the rate of 75% of approved expenditure.

2. To meet Home Office requirements the ILEA has recently carried out a review of all its Section 11 funded posts in schools by Division. Responsibility for those school-based posts which are approved by the Home Office for continued funding, and for existing locally - based posts in FHE and in the youth and community service, will transfer to the relevant individual councils. Councils will need to consider, in consultation with ILEA and with the Home Office, arrangements for Section 11 funded posts in centrally held teams and support services which service the whole ILEA area. Section 11 grant can be paid for posts, responsibility for which is shared jointly between neighbouring authorities.

3. Applications for new Section 11 funded posts may be submitted to the Home Office at any time. Home Office criteria require that such applications must be accompanied by evidence of consultation with representatives of the intended beneficiaries of the special provision proposed. The Home Office will expect all new applications from ILEA which will have expenditure consequences beyond April 1990 to contain evidence of the views of the relevant councils. It will be appropriate for the councils to make applications from September 1989 onwards, after consultation with ILEA where necessary.



## APPENDIX 6

### THE URBAN PROGRAMME

1. Urban Programme (UP) grants are available to all inner London authorities except for Camden, Westminster and the City of London. The UP is administered by the Department of the Environment. Its purpose is to encourage selected local authorities to develop a co-ordinated approach and an action programme to tackle the problems of their inner urban areas. Priority is given to spending on economic and environmental projects, and to capital rather than revenue. Provision is also made for social projects. Further details are included in the UP Ministerial Guidelines for Partnership and Programme Authority Areas (in particular Annex A) with which the relevant authorities will be familiar.

2. Each authority eligible for UP grant prepares annually an Inner Area Programme (IAP) which sets out objectives and priorities related to the needs of its area and lists the individual projects proposed for UP support for the forthcoming year. IAPs are approved by the Department of the Environment after consultation with other interested parties, including the Department of Education and Science. Inner London UP authorities should therefore include in their development plan their proposed arrangements for:

- (a) administering any ongoing ILEA UP projects which continue into the financial year 1990-91 and later
- (b) preparing bids for UP education projects for 1990-91 onwards
- (c) amending their IAP preparation system to reflect the change of Education Authority.



## APPENDIX 7

### DEPARTMENT OF EMPLOYMENT CAREERS SERVICE STRENGTHENING SCHEME

1. The Department of Employment operates a direct grant under Section 2 of the Employment and Training Act 1973 to strengthen local education authority careers services.
2. At present this grant support 52 posts (together with clerical support) in the ILEA careers service at an estimated cost in 1988/9 in the region of £700,000. The main condition of direct grant is that staff employed in such posts are engaged in work with unemployed young people and on services to young people in connection with YTS.
3. The Department of Employment has plans to introduce a revised direct grant scheme from 1 April 1989. It would no longer fund specific posts and monitor their use. Instead local education authorities which wished to take part would be invited to prepare management plans including objectives and targets for their careers services in return for direct grant support. ILEA's successor authorities would be invited to join the new grant scheme from 1 April 1990.



## ANNEX C

### FINANCING ARRANGEMENTS FOR THE TRANSFER OF EDUCATION RESPONSIBILITIES TO THE INNER LONDON BOROUGHS

#### The Present System

1. Under the present system for the funding of education in inner London, the ILEA precepts a uniform poundage on the boroughs. Actual contributions vary however because of the marked differences in the level of their domestic and non-domestic rateable resources. ILEA then distributes its resources so as to maintain education provision in each borough. ILEA has a grant related expenditure assessment based on the same needs assessment system as applies across the country, but it does not receive any grant because of its high rateable resources. ILEA does receive certain specific grants. (See Annex B.)

#### The New Local Government Finance System

2. Under the new local government finance system each borough will receive a standard share of the new uniform business rate, grant paid in the form of revenue support grant, and income from its community charge payers. The level of the revenue support grant to each area will compensate for differences between areas in the need to provide local services so that authorities everywhere will be able to spend at the level of their needs assessment levying the same community charge for the area.

#### Needs Assessment

3. At present ILEA receives a needs assessment for the whole of inner London. After 1 April 1990 each borough will receive its own needs assessment on the same basis as LEAs in the rest of the country. This means that education will be funded in the same way as other services provided by the inner London boroughs. The assessments will need to take account of variations in need from borough to borough. Appendix 1 shows the elements which go to make up the current education grant related expenditure assessment. It is likely that there will be some amendments to and simplification of grant related expenditure assessments (GRES) generally under the new local finance system. The London boroughs will have an opportunity to make their views known on this. It is probable, however, that the education GRE will continue to be drawn up on the basis of the main client groups, pupils, students, adult population etc. with an element for additional educational need which recognizes socio-economic circumstances.

#### Spending Above Needs Assessment

4. ILEA currently spends significantly above its GRE assessment, but the gap between assessment and spend is



reducing. It is not possible at this stage to predict the precise level of spending of ILEA in 1989-90 or its GRE assessment for that year. While it is not automatically subject to precept control by Government in that year it may be selected for control. If ILEA restrains its spending in 1989-90, the gap between spending and GRE is likely to narrow further.

#### Safety Nets

5. In 1990-91 a safety net will operate. Its general objective will be to adjust the amount of revenue support grant so that the amount raised in each area from the domestic sector (ie from the residual domestic rates and the community charge) will be broadly the same in the first year of the new system as in the last year of the old, providing that the authorities hold their spending steady in real terms. The safety net arrangements will need to allow for the transfer of education responsibilities to the boroughs as a result of the abolition of the ILEA. The precise details of the working of the safety net will be settled nearer the time. The overall effect of the net, however, should be that the inner London boroughs in 1990-91 will be able to spend on education at a similar level to their apportionment of ILEA's pattern of spending with community charges on average at the level which would have been needed had ILEA remained in being.

6. The transitional safety net arrangements will be phased out over four years. It is not until 1994-95 that the full impact of the difference between expenditure and needs assessments if any will fall fully on community charge payers. Throughout the transitional period, however, any change in expenditure up or down compared with that allowed for will feed through pound for pound into community charge bills. Many inner city education authorities do find it possible to provide an adequate service spending very close to their current grant related expenditure assessment.

#### Cross-Borough Traffic

7. There has been a tradition of significant movement between boroughs in the field of education in inner London. There is a well established system of recoupment of costs where pupils and students resident in one educational authority are educated in another. For school education and prescribed categories of further education the providing authority has a right to automatic recoupment at standard rates from the authority in which the client is resident. Recoupment for special education is at full cost. The current recoupment rates are set out in Appendix 2. The inner London rates are based on average rates across the country uplifted to take account of higher inner London costs. Where an inner London borough provides education for a pupil or student resident within another borough it will receive payment at the recoupment rate from that borough and where pupils and students resident within its



boundary are provided for by another borough it will pay the same rates. Recoupment rates are determined annually by the local authority associations' Inter-Authority Payments Committee. Authorities may propose changes in the standard rates, and the Secretary of State has a statutory power of direction in the case of a dispute over rates between authorities.

#### Budgets for 1990-91

8. When councils come to draw up a provisional budget for education spending, therefore, they will need to estimate the likely cost of the provision that will be transferred from ILEA, taking account of the block transfer arrangements for staff plus the cost of the administrative arrangements that they believe will be necessary to manage their education responsibilities. The estimate will need to reflect the split of expenditure between major elements of the service, and should so far as possible be constructed on the basis of definitions consistent with returns made to the Department of the Environment. Figures should be on a total expenditure basis at November 1988 prices, and, in aggregate, at an estimated outturn price. They should be underpinned by the manpower assumptions for the education service in 1990-91 underlying the budget, broken down by category and sector. These figures should be full-time equivalents, with a clear basis for conversion to FTE.



## APPENDIX 1A

EDUCATION GRE 1988-89  
(ENGLAND)

	£m	%
Sectors:		
Under 5's	220	1.6
Primary age (5-10)	4173	31.0
Secondary USLA (11-15)	4914	36.5
Secondary OSLA (16+)	819	6.1
NAFE	1057	7.8
Young Unemployed	92	0.7
Adult Education	291	2.2
Youth Service	219	1.6
Actuals - pools	962	7.1
- awards	76	0.6
Schools Meals	322	2.4
Debt Charges	325	2.4
TOTAL	13470	100.0



CLIENT GROUPS AND ADJUSTMENTS FOR MAIN COMPONENTS OF THE  
EDUCATION GRE

SECTOR	CLIENT GROUP	ADJUSTMENTS*
under 5s	population aged under 5	Additional Educational Needs (AEN)
primary	pupils aged 5-10	sparsity AEN
secondary usla	pupils aged 10-15	sparsity AEN
secondary	pupils aged 16+	sparsity
school meals	pupils all ages (5-16+)	free school meals
NAFE	fte student nos (full-time and pt day release)	fees, type of course
adult	population 18+	none*
youth	population 11-17	AEN

\*adjustment for higher London labour costs is applied to all  
sectors



## RATES OF RECOUPMENT

## PRIMARY AND SECONDARY SCHOOLS

1987-88 Academic Year Rates (£ per pupil per annum)

AREA	PRIMARY £	SECONDARY Under 16 £	SECONDARY Over 16 £
London Inner Area	1260	1840	2765
London Outer Area	1205	1765	2650
London Fringe Area	1155	1690	2540
Rest of England and Wales	1120	1640	2465

## FURTHER EDUCATION (other than in Agricultural Colleges)

1987-88 Academic Year Rates (£ per standard student hour)

AREA	CATEGORY II/III £/hour	CATEGORY IV £/hour	CATEGORY V £/hour
London Inner Area	3.63	2.34	1.96
London Outer	3.51	2.26	1.87
London Fringe Area	3.58	2.16	1.78
Rest of England and Wales	3.29	2.10	1.72

## AGRICULTURAL COLLEGES

1987-88 Academic Year Rates

£3,106 per annum OR  
£2.59 per standard student hour.

For the purpose of recoupment:

"the Inner Area" means the area of the Inner London Education Authority and of the London Boroughs of Barking and Dagenham, Brent, Ealing, Haringey, Merton and Newham;

"the Fringe Area" means -

in Berkshire: the Districts of Bracknell, Slough, Windsor and Maidenhead;

in Buckinghamshire: the Districts of South Bucks and Chiltern;

in Essex: the Districts of Basildon, Brentwood, Epping Forest, Harlow and Thurrock;



in Hertfordshire: the Districts of Broxbourne, Dacorum, East Herts, Hertsmere, St Albans, Three Rivers, Watford and Welwyn Hatfield;

in Kent: the Districts of Dartford and Sevenoaks;

in Surrey: the whole county;

and in West Sussex: the District of Crawley.



ANNEX D

THE STAFF COMMISSION AND THE ARRANGEMENTS FOR REDUNDANCY AND  
DETRIMENT COMPENSATION

STAFF COMMISSION

1. Clause 147 of the Education Reform Bill requires the Secretary of State to establish a Staff Commission with the following substantive terms of reference:
  - (a) advising the Secretary of State on the steps necessary to safeguard the interests of ILEA staff;
  - (b) considering and keeping under review -
    - (i) the arrangements for the recruitment of staff by the inner London councils;
    - (ii) the arrangements for the transfer of ILEA staff to the inner London councils;
  - (c) considering staffing problems referred to the commission by the Secretary of State.
2. The Commission will have an important role to play in assisting with staff recruitment. It will give guidance to the councils about their arrangements for the recruitment of staff, encouraging them in the first instance to consider staff from ILEA. Ring fencing will not guarantee a job for everyone. But it will ensure that ILEA staff will be given priority consideration for posts covered by the procedure.
3. Clause 147 provides the Secretary of State with a direction-making power to require a council to take particular action following advice from the Staff Commission. This is an important reserve power. It is relevant that the Staff Commission at the time of the abolition of the GLC decided not to call upon the Secretary of State to use this power, taking the view that 'there was sufficient underlying goodwill, or perhaps enlightened self-interest, to ensure that most, if not all authorities would act responsibly in the end'. But the direction-making power will be available if necessary.
4. There is a strong case for the Staff Commission being in place by the time individual councils have produced their development plans. It will be for individual councils to decide in preparing their plans on the structure they wish to establish for those support services covering staff who are not block transferred. The Staff Commission can then play a valuable role in advising councils on the filling of these posts.
5. The Secretary of State expects the Staff Commission



to consist of a Chairman and other members. It will have a supporting secretariat. Its general expenses will be met by the Secretary of State.

#### REDUNDANCY AND DETRIMENT COMPENSATION

6. Clause 150 provides for the making of regulations to give compensation for redundancy or for reduced salary as a result of abolition. The intention is to make regulations for this purpose under Section 24 of the Superannuation Act 1972. The terms both of redundancy compensation and of detriment payments will be equivalent to those provided at the time of GLC abolition.

7. The redundancy compensation will be available for those who leave ILEA (or the LRB) on or after the abolition date. The timing of availability of detriment compensation will be specified in the regulations. The date will reflect a balance between the need for ILEA to retain a viable structure right up to abolition, the need for the inner London councils to recruit staff, and the interests of the staff themselves.

8. The scheme for redundancy compensation at the time of the GLC abolition provided for compensation on the following terms: 2 weeks' pay for each year of continuous employment in local government service between age 18 and 41; 6 weeks' pay for each year of such employment over the age of 41 subject to a ceiling of 8 years, with these two components being combined subject to an overall ceiling of 25 years. For example, someone earning £10,000 a year, aged 44 with 23 years' service, would have been eligible for a redundancy payment of £11,150.

9. The scheme of detriment compensation that operated at the time of the abolition of the GLC provided for compensation up to a maximum of £5,000 a year for up to 7 years, with half payment in the 8th year. It was payable where employees of the authority to be abolished were recruited directly by other local government employers at a salary which was lower than that received in their previous employment. The compensation enabled the previous salary level to be maintained (up to the £5,000 ceiling for compensation). The intention is that similar terms should apply to ILEA employees.



25. IV. (1911) PMSB



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File

ce: by

MFT

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 April 1988

Dear Tom,

SPECIFIC GRANT TO INNER LONDON BOROUGHES

The Prime Minister has seen your Secretary of State's letter of 14 April to the Chief Secretary, and his reply of 18 April. She too is content for your Secretary of State to proceed as proposed.

I am copying this letter to the Private Secretaries to the other members of E(EP) and to Trevor Woolley (Cabinet Office).

Yours,  
Paul

Paul Gray

Tom Jeffery, Esq.,  
Department of Education and Science

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CEBG



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
Secretary of State for Education and Science  
Department of Education and Science  
Elizabeth House  
York Road  
London  
SE1 7PH

18<sup>th</sup> April 1988

Dear Secretary of State,

## SPECIFIC GRANT TO INNER LONDON BOROUGHES

Thank you for your letter of 14 April. *FILE WITH Pa*

I am content with your proposals on distribution of this new specific grant, which seem to me to represent a fair and neat reflection of the balance of the fixed and variable costs as between the boroughs. Your proposals for the conditions to be attached to payments of grant seem to offer the best chance of achieving the effective and efficient use of those resources which, as Peter Brooke stressed in his letter of 25 March, is essential.

I am copying this letter to the Prime Minister, to other members of E(EP) and to Sir Robin Butler.

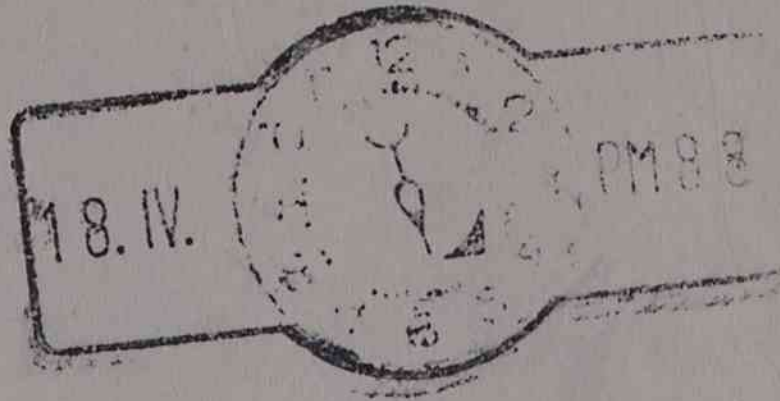
Yours sincerely,

JOHN MAJOR

(Approved by the Chief Secretary  
and signed in his absence)



EDUCATION ILGA PT5





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ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

*1 cyber*  
*Price Minute*  
*Content subject to*  
*any comment from*  
*the Chief Secretary?*

*C.F.*  
*in BIF a noddy*  
*file*  
*15/4*

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Whitehall  
London  
SW1

*Yes m*

*file 14/4*

*14 April 1988*

*John Major,*

**SPECIFIC GRANT TO INNER LONDON BOROUGHS**

We have now agreed that in addition to the £3m for 1988-89, £10m should be available as specific grant, at a rate of 100%, to the inner London boroughs and the City in 1989-90. I have been considering how best to secure E(EP)'s objective of ensuring that the boroughs undertake necessary spending in preparation for the abolition of ILEA, through the conditions to be applied to the use of the specific grant.

So far as 1988-89 is concerned, the appointment of consultants to help with drawing up development plans is likely to be the major element of expenditure. This is unlikely to vary significantly between boroughs; nor will the City escape its share of costs. I therefore propose that the £3m should be allocated with a uniform ceiling of £240,000 for each of the boroughs, and £120,000 for the City. Applications for specific grant in relation to 1988-89 would have to be received by my Department not later than 31 October this year, and it would be a condition of the grant that these applications should set out clearly the expenditure which is to be supported, and that such expenditure should include the appointment of suitable consultants and arrangements for public consultation and publicity in relation to the development plan.

Although there will in 1989-90 be some essential costs which will fall fairly equally to the boroughs, the different scale of their various operations will begin to make itself felt, and it would therefore be appropriate to take some account of this in the individual borough ceilings. This might best be done by deducting a further £120,000 for the City, whose costs will probably not vary substantially between the two years, and allocating 50% of the remaining £9.88m uniformly to the boroughs, with the remaining 50% in proportion to the school population of each borough. The sums available for distribution on this basis would

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lie between £1,026,000 for Greenwich at the top of the scale and £584,000 for Kensington and Chelsea at the bottom.

We need to take particular care to ensure that these sums are used to encourage the boroughs to plan effectively. It will therefore be appropriate to make them available in two tranches. The first, of up to 50% of the available ceiling, would be dependent upon the publication of a development plan, not later than the end of February 1989, which broadly satisfied the conditions set out in my statutory guidance, and which in particular contained acceptable proposals for the management structure of the education department.

Applications for the second tranche would have to be made by September 1989. Approval would be dependent upon evidence that preparation had reached a sufficient pitch to justify releasing the additional resources. Items which would need to be addressed would include the establishment of shadow education committees with appropriate senior appointments and other administrative support, and effective arrangements for working with ILEA in areas such as school admissions, student awards etc where decisions will need to be taken by boroughs before they become LEAs.

The Education Reform Bill will need to be amended in the Lords in order to empower me to pay this specific grant. I should be glad to know by Monday 18 April whether you and other colleagues are content with the arrangements set out above, so that we may proceed urgently with drafting the necessary amendments, and so that our conclusions may be reflected in the draft guidance to boroughs which we propose to publish next week.

I am copying this letter to the Prime Minister, to other members of E(EP), and to Sir Robin Butler.

*Y  
Hummel*

*Kenneth*  
\_\_\_\_\_

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RMB  
28/3

**CONFIDENTIAL**



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:  
Your ref:

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

25 March 1988

*Dear Kenneth*

E(EP) MEETING ON 17 MARCH: ABOLITION OF ILEA  
- FINANCIAL IMPLICATIONS

I agree with the proposals, for a specific grant to finance expenditure by boroughs on preparatory costs for abolition of ILEA in 1989/90, set out in your letter of 23 March to Peter Brooke.

*Plap*

I am sending copies of this letter to other members of E(EP) and Sir Robin Butler.

*Nicholas Ridley*

NICHOLAS RIDLEY





EDUCATION

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*NBBM*  
*Price 1/1*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education & Science  
Elizabeth House  
York Road  
LONDON SE1 7PH

25 March 1988

*Dear Secretary of State*

**E(EP) MEETING ON 17 MARCH: ABOLITION OF ILEA: FINANCIAL IMPLICATIONS**

Thank you for your letter of 23 March. *slap*

2. In view of the points you make in your letter, I can reluctantly agree to extend the specific grant to provide for payments of up to £10 million in 1989-90. This sum will need to be found out of the total to be agreed for Aggregate Exchequer Grant. No doubt your Department is considering actively how you can ensure that this money is spent as we would wish, effectively and efficiently and in a way that makes a real difference to the ability of inner London boroughs to take over responsibility for education.

3. I look forward to seeing your further paper on costs and savings.

4. I am copying this letter to other members of E(EP) and Sir Robin Butler.

*Yours sincerely*

*S.P. Brooke*

**P PETER BROOKE**  
[Approved by the Paymaster  
and signed in his absence]



Education - LBA P15.



CONFIDENTIAL

~~cc Bg~~  
1



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

NBlm  
HCC  
2/5/88

The Rt Hon Peter Brooke MP  
Paymaster General  
HM Treasury  
Parliament Street  
London SW1P 3AG

23 March 1988

*John Peter*

*minutes attached*

E(EP) MEETING ON 17 MARCH:  
ABOLITION OF ILEA - FINANCIAL IMPLICATIONS

At this meeting, I was invited to agree with you and Nicholas Ridley the precise arrangements to be adopted to give financial assistance to boroughs with the preparatory costs for abolition in 1989-90. I would like to settle this quickly so as to be able to set in train any necessary amendments to the Education Reform Bill. If I am pressed on preparatory arrangements during the Report stage in the House of Commons next Monday, I would like to be in a position to say that we are considering the funding arrangements for relevant costs incurred by the boroughs.

2. We agreed in E(EP) that it would be important to ensure that in 1989-90 the inner London boroughs prepared adequately for their new responsibilities for education with the necessary spending, and to ensure that conditions could be applied to the use of such money. Our officials have now discussed this further and believe that the only way of satisfactorily achieving this position is to provide specific grant in that year. This would follow on from the specific grant agreed for 1988-89. The estimated cost of £10m for 1989-90 could be met from within the agreed level of Aggregate Exchequer Grant to be set for that year. The availability of a specific grant for this purpose would not set a precedent for other grants given that we have no proposals for transferring the education responsibilities of other local authorities.

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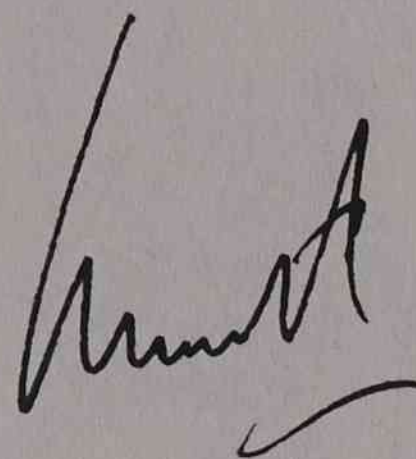
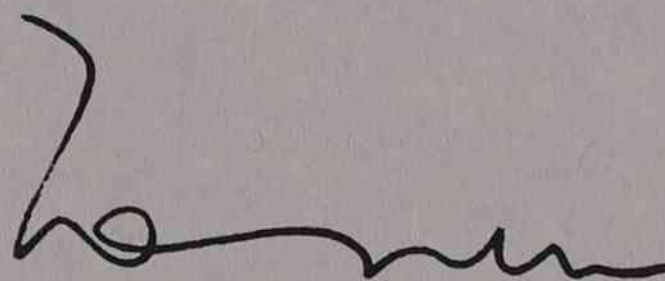


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3. As Nicholas and I explained in our joint memorandum, the specific grant would need to cover all of the costs incurred by inner boroughs within a set total. I would set strict criteria for payment related to the preparations for transfer including the production of development plans and the submission of a suitable management structure. I confirm that there would be no payment of specific grants for this purpose on expenditure falling after 1989-90. I hope that you may now agree that we proceed on this basis.

4. I am considering separately the further paper requested on the costs and savings arising from abolition after April 1990 and the arrangements to be made on abolition for ILEA teachers.

5. I am sending copies of this letter to other members of E(EP) and Sir Robin Butler.



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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

17<sup>th</sup> March 1988

Dear Secretary of State,

**ILEA REDUNDANCY PAYMENTS AND COUNTY HALL**

You wrote to Nicholas Ridley on 8 March proposing that redundancy and detriment payments to ILEA staff should be paid by the LRB from sales of GLC assets including County Hall. I have also seen Nicholas Ridley's reply of 15 March, and the letter from No. 10 of 14 March.

Capital receipts from the sale of ex-GLC property would usually be distributed to all London boroughs while the costs of ILEA are usually paid for by inner London boroughs. We need to ensure that we do not take resources away from outer London boroughs to meet costs that properly fall on inner London. I therefore support Nicholas Ridley's views that the first source of funding should be ILEA's final balances and sales of ILEA property; that only 40 per cent or so of the receipts from County Hall should be available to fund ILEA redundancy and detriment costs; and that any residual costs be met by a levy on inner London borough. There should be no question of any Exchequer support.

I am copying this letter to other members of E(EP) and to Sir Robin Butler.

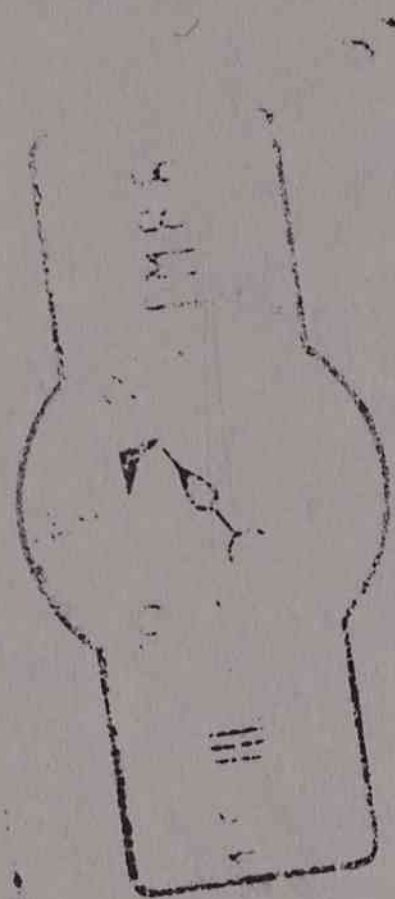
Yours sincerely,

JOHN MAJOR

( Approved by the Chief Secretary  
 and signed in his absence )



Educator - ILGA PRS





PRIME MINISTER

MEETING OF E(EP)

The meeting will start after Cabinet, so the time available is uncertain. There are now three items on the agenda.

You saw last weekend the main papers on items 1 and 2 - the financial implications of, and contingency plans for, ILEA abolition.

The new papers are:

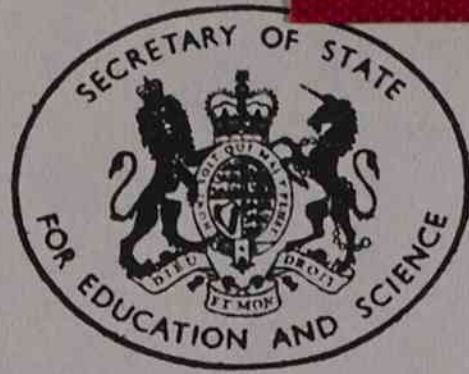
- for item 3, on membership of the NUS, Mr. Baker's minute of 15 March and a Cabinet Office brief
- for all three items, Policy Unit comments, which are at the front of the folder
- as background for item 1, you may also want to note that Messrs. Ridley and Baker have now reached a slightly amended solution to the problem of ILEA redundancy payments and County Hall from the approach set out in Mr. Baker's letter of 8 March which you saw last weekend
- papers at the end of the item 1 folder.

RACG.

Paul Gray

16 March 1988





cc BG ✓

ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Nicholas Ridley MP  
Secretary of State  
Department of the Environment  
2 Marsham Street  
London SW1 3EB

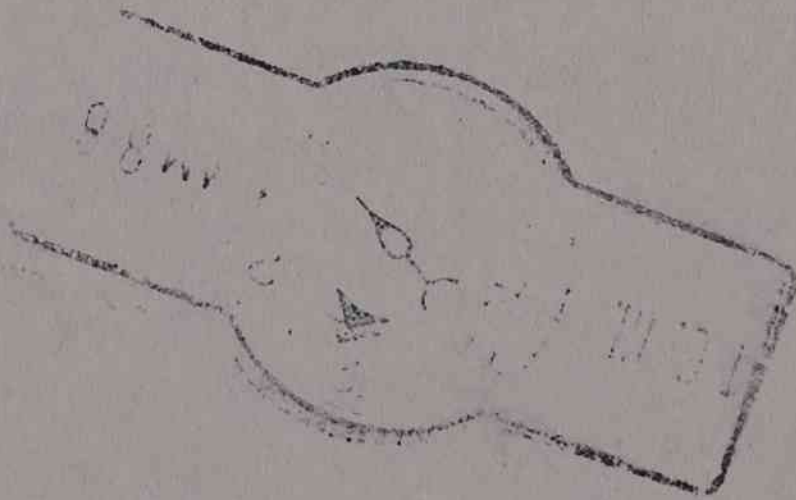
16 March 1988

ILEA Redundancy Payments and County Hall

Thank you for your letter of 15 March <sup>with PG?</sup> commenting on the proposals I put to you on 8 March. I am happy, subject to any comments from other colleagues, to proceed with these on the basis you set out in your letter.

Copies of this letter go to other members of E(EP) and to Sir Robin Butler.







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PRIME MINISTER

16 March 1988

E(EP): THURSDAY 17 MARCH

Item 1

Abolition of ILEA: Financial Implications

The two key issues in the paper on the financial implications of the abolition of ILEA are:

- Whether ILEA expenditure can be reduced by more than the 10% in real terms before abolition suggested in the paper.
- Whether there should be new grant to meet approved costs incurred by the Boroughs in setting up an education service. This would cost £3m in 1988/89 and £10m in 1989/90.

Ratecapping in 1988/89 should reduce ILEA's expenditure by about 4½% in real terms. This is a tough target and a similar reduction will be needed in 1989/90 to meet the 10% target. We therefore see little scope for further reductions before abolition. What happens thereafter will depend on the Boroughs' performance but we shall have available community charge capping powers if necessary.

Now that we have agreed on abolition we need to ensure that the Boroughs make adequate preparations: otherwise we run the risk that some Boroughs will not do the job properly. According to DoE, the alternative of increasing Rate Support Grant and the GREs for these Boroughs is not sufficient because, under the present system, much of the extra money would be directed to other areas.

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## Item 2

### Abolition of ILEA: Contingency Plans

Kenneth Baker's paper makes a number of recommendations designed to:

- ensure that the new education services in each Borough are properly managed by responsible individuals;
- deal with possible financial collapse either of ILEA before abolition or of one of the Boroughs after abolition;
- deal with an unacceptable deterioration in the quality of education in a Borough not associated with financial collapse.

On the first of these, the paper proposes taking a power to approve the new Chief Education Officers and the proposed management structure of each Borough's Education Department. Although this gives increased power to the DES, the track record of some of these Boroughs (especially Lambeth, Hackney and Southwark) in providing other services suggests that this is vital. But in order to prevent a permanent increase in control by the DES, you should insist that the power should lapse after five years.

We also agree with the suggestion that the LRB might take over the ILEA's education function in the event of a collapse before abolition and that the Commissioner and/or Overseer options being developed more generally are appropriate in the event of financial collapse of one or more of the Boroughs.

The third recommendation is least developed. The hope is that the various mechanisms being introduced under the



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Education Bill - opting out, financial delegation, open enrolment and the national curriculum as well as the new measures referred to above - will increase consumer and other pressure on the Boroughs to run an acceptable education service. But it is always possible that these Boroughs will be unwilling or unable to do so. In particular, because of their poor reputation, they may be unable to recruit or retain good administrative and teaching staff.

The option of working up contingency legislation for 'Education Action Trusts' (EATs) modelled on 'Housing Action Trusts' to take over a Borough's schools in these circumstances is preferable to the alternatives of Commissioners or an immediate move to grant-maintained status. The first of these would not be a long term solution and the second might not be practicable. But the aim of these Trusts should be to improve the standard of education, the quality of the teaching staff and the quality of the governing bodies of these schools to the point at which they could transfer to grant-maintained status. The Trusts should have a limited life; once their objectives have been fulfilled they should be wound up.

Recommendation

We support the conclusions of the papers on the financial implications of abolition and on contingency plan provided it is clear that:

- the Secretary of State's powers to approve Chief Executive Officers and management structures are strictly time limited;



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- the contingency plans for Education Action Trusts are drawn up on the basis that the function of these bodies is to improve the education service to the point at which schools can transfer to grant-maintained status.

Item 3

National Union of Students

This note is very thin.

Early Day Motion No 449 - to allow students the right to opt-in to the NUS above and beyond and to make membership of the local Student Union - has attracted over 200 signatures, which is indicative of strong feeling among the Parliamentary party.

The Secretary of State suggests there are "considerable difficulties" in the proposal as it stands and mentions two of these but does not develop the argument. (I attach the Hansard account of last week's debate).

He then goes on to state his preferred option - a "conscience clause" under which students would be able to divert the NUS contribution to other purposes. He does not discuss any weakness of his approach. In practice, it must be doubtful whether it could be enforced, as the local student union could pay all sorts of fancy fees to the NUS in exchange for services.

He then proposes issuing a consultation document along these lines.



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Recommendation

In view of the strength of support for the Early Day Motion it would be far better if Kenneth Baker were to set out the pros and cons of each of the alternatives in some detail. Then the subject could be properly discussed. His present paper is an inadequate basis on which to issue a consultation document.

*Peter Stredder*

*Brian Griffiths*

PETER STREDDER

BRIAN GRIFFITHS





The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

2 MARSHAM STREET  
LONDON SW1P 3EE  
01-212 3434

My ref:

Your ref:

15 March 1988

*Dear Kenneth*

#### ILEA REDUNDANCY PAYMENTS AND COUNTY HALL

Thank you for your letter of 8 March about how some of the costs of redundancy compensation and detriment consequent on the abolition of ILEA might be met by the LRB.

Although the first source of funding should be ILEA's final balances and sales of ILEA property I accept that there should be the possibility for LRB to meet some of these costs out of the receipts from the sale of County Hall. This should not however be an open-ended commitment since we have no means of being sure what County Hall will fetch or when it will be sold.

Any abstraction of LRB capital receipts for the purpose of funding ILEA redundancy costs should be confined to receipts from County Hall; this is more publicly defensible as ILEA occupies part of the building. We were prepared, in principle, to divert some of the proceeds of sale to the cost of reaccommodating ILEA. Although this specific argument falls with ILEA's abolition a contribution towards ILEA's redundancy costs could be presented as a consequence of abolition and thus a legitimate call on the higher gross receipts which will be available.

We will not know until mid summer at the earliest how much County Hall could fetch and even then offers are likely to be contingent on further planning permission. Although LRB's agents were talking some time ago in terms of £90-£120m, and the central London prestige hotel market appears to be even more buoyant now, we must plan for the worst eventuality of the sale price falling well below £90 million. I propose that the maximum call on the capital receipts should be expressed as a percentage of the purchase price broadly equal to the floorspace of County Hall currently occupied by ILEA - provisionally estimated at around 40% - and not a fixed sum. If the sale price proves to be at the upper end of the LRB agents' range receipts of just under £50m would be available to fund ILEA redundancy costs, in addition to what is available from ILEA balances and receipts. Since I believe that £50 million is the upper limit of estimated redundancy costs this look fairly comfortable. However if County Hall and ILEA receipts and balances proved inadequate, which is most unlikely, the balance would need to be met by a levy on the





inner London boroughs - which they must meet from their share of the remaining receipts. The only alternative to this would be support from the Exchequer.

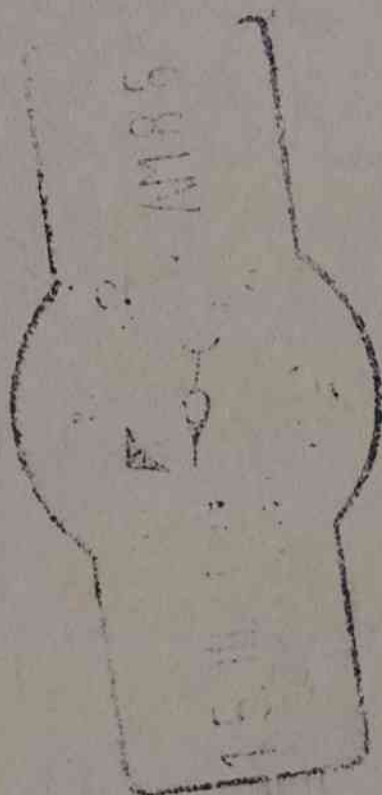
As the 40% would be abstracted from the outer, as well as the inner, London boroughs' notional allocations of receipts from sale there could well be objections from the outer boroughs. These objections would be far more muted if you could indicate that a substantial proportion of the redundancy costs could well be met from ILEA's own balances and property sales. I am therefore asking my officials in liaison with yours to talk to LRB about ILEA's portfolio and its market potential.

If you agree with this approach our officials can now work up a provision for inclusion in your Education Reform Bill which could enable the LRB to contribute towards ILEA redundancy costs on the basis described above and in a way which will be as proof as possible from legal challenge. If necessary we can discuss at E(EP) later this week.

Copies of this letter go to other members of E(EP) and to Sir Robin Butler.

*James  
Nicholas*

NICHOLAS RIDLEY





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abg

OA

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

14 March 1988

*Dear Tom,*

**ILEA ABOLITION: COST OF REDUNDANCY  
COMPENSATION AND DETRIMENT**

The Prime Minister has seen your Secretary of State's letter of 8 March to the Secretary of State for the Environment. Subject to the views of colleagues, the Prime Minister would be content for officials to work up a provision along the lines described by your Secretary of State.

I am copying this letter to the Private Secretaries to members of E(EP) and to Trevor Woolley (Cabinet Office).

*Yours,*

A handwritten signature in cursive script, appearing to read 'Paul'.

(PAUL GRAY)

Tom Jeffery, Esq.,  
Department of Education and Science.

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Reference No: P 03038

PRIME MINISTER

ABOLITION OF ILEA: FINANCIAL IMPLICATIONS

E(EP)(88) 5

DECISIONS

Mr Ridley and Mr Baker have put forward joint proposals for dealing with the financial implications of abolishing the ILEA. They propose:

- i. to rely on the present arrangements for transition to the community charge (previously agreed by E(LF)) to protect community charge payers from the effects of abolition;
- ii. to rely on the present provisions on community charge capping to ensure that boroughs neither suffer nor escape capping solely because of the expenditure they inherit from the ILEA;
- iii. to explore with the City of London how the special financial arrangements which are to apply to them will need to be adjusted to take account of abolition;
- iv. to create a new specific grant to meet the boroughs' costs in 1988/89 and 1989/90 in preparing for abolition, to be paid at a rate of 100% on costs approved by the DES.

The paper also notes that transferring functions to the Residuary Body has no marked effect on community charges: decisions on this can therefore be taken in the light of other policy considerations.

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2. The main concern of E(EP) at its previous discussion was that the effects on the community charge of abolishing ILEA would vary widely between the boroughs. One particular worry was that those with a high ratio of children to adults could face very high charges when they inherited ILEA's overspending. The paper is reassuring on this because it says that the safety net should prevent any increase in the burden on domestic residents, or any variation in community charge levels between boroughs in 1990-91. The full effects of abolishing ILEA will not be felt until 1994-95 by which time all boroughs should have been able to get under control the high spending they inherited from ILEA.

3. The proposals on transition to the community charge, community charge capping and the treatment of the City of London appear broadly satisfactory. You will want to consider the proposal for a specific grant to meet preparatory costs. This is probably justified for 1988/89, since grant entitlements and rate limits for that year are fixed, and boroughs will be very close to setting their own rates. But the case for 1989/90 is less clear and is likely to be resisted by the Chief Secretary. Finally, the treatment of transitional costs which arise after 1 April 1990, including redundancy costs, is not addressed. You may want to ask for further work on this subject.

#### BACKGROUND

4. E(EP) agreed to the outright abolition of the ILEA on 3 February (E(EP)(88)1st Meeting). This decision was endorsed by Cabinet the following day (CC(88) 4th Meeting).

5. E(EP) recognised that abolition would have substantial financial implications. They were concerned that there would be substantial redundancy costs, which might not be covered by either savings or capital receipts in the early years; that education spending might be split unevenly between different boroughs, leading to even higher community charges in some areas than were already in prospect; and that prudent boroughs might suffer community charge capping solely on account of the high levels of

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spending inherited from the ILEA. Mr Baker was asked to bring forward a paper on these issues, in consultation with the Environment Secretary and a Treasury Minister.

#### MAIN ISSUES

6. The present paper covers some of the issues which concerned E(EP). But it does not discuss one substantial issue: the treatment of transitional costs (eg redundancy payments) after 1 April 1990. The proposed specific grant is related only to preparatory costs incurred by inner boroughs before that date. If there are major transitional costs which cannot be offset by savings, the overall level of community charges in London in 1990/91 may be much higher than those suggested by the paper.

7. When the GLC was abolished, the Government successfully maintained the line that savings would more than compensate for costs, even in year one. But in that case substantial capital receipts were available, which were used to meet redundancy costs. It is not yet clear whether this will be repeated in the case of the ILEA and the issues need to be explored. You may wish to ask Mr Baker to bring forward a further paper covering these issues.

#### Implications for community charges

8. The paper addresses the implications of abolition for the level of community charges in individual boroughs, on the assumption that expenditure is no higher than at present. When the new system is fully in place, any spending above the level of an authority's needs assessment or GRE will fall directly on the community charge. The ILEA's spending is currently about £225 per adult above GRE, and would therefore add £225 to the community charge in each inner London. But when the ILEA's spending is split up there may be a different level of overspending in each borough, and therefore greater variation in community charges. In particular boroughs like Tower Hamlets with large populations of school age children may have greater overspending and be obliged to set a higher charge, while others like Kensington with relatively small numbers of children may benefit.

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9. Table 2 to the paper shows how this might affect community charges, on the basis of notional figures. It suggests that with no safety net, Tower Hamlets might need to levy a community charge £97 above the level if ILEA had remained in being, while Kensington might benefit from a reduction of £116. But it also shows that a reduction in education spending of 10% would allow every borough to levy a charge below the ILEA levels except for Tower Hamlets, which would still need to levy £19 more.

10. E(LF) have already agreed that to protect domestic tax payers in inner London there will be a phased transition from rates to the full community charge over four years. There will also be a safety net to prevent any change in the overall burden of rates and the community charge in 1990/91 as between boroughs, for the same level of spending. The safety net will be phased out over the same four year period as the rates.

11. The paper says that this safety net would be used to protect domestic tax payers from the effects of abolishing the ILEA. To do that, it would be necessary to estimate the costs which are to fall on each borough, and further work is needed to ensure that this can be done with sufficient accuracy. If it can, this approach would prevent any variation in community charge levels in 1990/91 as a result of abolition. The full effects would then be phased in over the four years to 1994/95, by which time the boroughs would have had a chance to get to grips with the education service, and could be expected to take responsibility for the full implications of their own decisions on budgets. The Sub-Committee will probably want to accept this approach, subject to further work on estimating the spending to be inherited by each borough.

#### Community charge capping

12. E(EP) was concerned that boroughs should neither become subject to charge capping solely because of the spending they inherited from ILEA, nor escape capping if their spending on their existing services justified it. The paper points out that the

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general community charge capping powers should be broad enough to meet these concerns. These powers allow different rules to be applied to different classes of authority. Separate criteria could therefore be applied to the inner boroughs (a class in their own right) to take account of the fact that they had inherited excessive spending levels from the ILEA. The Bill is also to be amended to allow a calculated "base position" to be used for capping in 1990/91, which will allow the effects of inherited spending to be removed from the calculation in year one. The Sub-Committee will probably want to endorse the conclusion that the existing powers on capping are sufficient.

#### City of London

13. The City of London has only 4,300 adult residents, but provides services to an enormous daytime population. The GRE system cannot fully assess spending needs in these special circumstances. If normal rules applied, the City would need to levy a community charge of several £'000s per head. Special arrangements are therefore proposed, under which the Corporation is to be allowed to levy a variable local rate on non-domestic rate-payers in the City. This rate will meet the great majority of spending in excess of the assessed GRE, leaving only a small proportion to be met from the community charge.

14. The exact details of the special arrangement will need to be reconsidered in the light of abolition. It will probably be appropriate to increase the proportion of spending over GRE which is to be met by community charge payers, to reflect the fact that they will no longer have to pay the ILEA community charge. The Sub-Committee will probably want to endorse the proposal that DOE officials should discuss this issue with the Corporation.

#### Costs of preparing for abolition

15. Mr Ridley and Mr Baker seek agreement to a new specific grant from the Exchequer to meet the full cost of spending by the boroughs on preparing for abolition, at levels approved by DES. They envisage total grant of £3m in 1988/89 and £10m in 1989/90

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(about £250,000 and £800,000 for each borough in the two years). They suggest that this will be needed to meet the cost of appointing perhaps four senior staff in each borough in 1988/89, and further staff in 1989/90; to fund work by consultants and publicity for development plans; to develop new information systems; and for extra support spending, eg on accommodation.

16. The start of 1988/89 is now very close. The RSG settlement has been made, and rate limits fixed for a number of the inner boroughs. All the boroughs will be close to setting their rates. In these circumstances there is a reasonable case for some financial assistance to the boroughs to meet the costs of preparing for abolition, a policy which was announced only a month ago. The alternative is to ask them to meet the costs or part of them from balances. But such spending would itself attract rate support grant penalties, unless special arrangements were made for an exemption. E(EP) will therefore probably want to accept the proposal for 100% grant for 1988/89. The Sub-Committee may however wish to consider whether the full £3m is really necessary.

17. The case for specific grant for 1989/90 is less strong. The boroughs could simply be expected to set rates to cover any necessary spending in that year, and rate limits could be set accordingly. On the other hand, such a course could attract particular criticism if a precedent had been set by paying grant in 1988/89. It might therefore be preferable to continue paying grant, for presentational reasons, and to maximise the prospects of a successful transition on 1 April 1990. The Sub-Committee will want to consider whether the benefits of continuing to pay grant in 1989/90 justify the cost, and whether the full £10m proposed by Mr Baker and Mr Ridley is required.

#### VIEWS OF OTHER MINISTERS

18. The Chief Secretary, Treasury is likely to accept that the existing arrangements for the transition to the community charge and for community charge capping are sufficient to deal with the effects of abolition. While he is likely to accept that specific

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grant will be needed for 1988/89, he is likely to resist its extension to 1989/90. He will also be concerned about the treatment of transitional costs after 1 April 1990 (including redundancy costs) and may press for further work to be done on them.

HANDLING

19. You may want to ask the Environment Secretary to speak first, since his Department have been in the lead, followed by the Education Secretary. The Chief Secretary, Treasury and other Ministers will want to comment.

R.T.J.

R T J Wilson  
Cabinet Office  
11 March, 1988

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Reference No: P 03039

PRIME MINISTER

MT

ABOLITION OF ILEA: CONTINGENCY PLANS  
E(EP)(88)4

DECISIONS

Mr Baker seeks agreement to proposals designed to ensure the continued smooth running of education in inner London during the transition from ILEA to borough control. He proposes:

- i. that he should take new powers requiring his approval to the appointment of the Chief Education Officer (CEO) and the management structure of the education department in each borough. (A further proposal, for specific grants towards the costs of preparing for abolition, is covered in detail in the separate paper on financial implications);
- ii. that financial collapse at the ILEA before abolition should be met by emergency legislation transferring control, to the London Residuary Body (LRB);
- iii. that the overall financial collapse on an inner London borough should be met by emergency legislation for Commissioners, or the less drastic option of overseers (which is to be discussed by E(LF) on 24 March);
- iv. that an unacceptable deterioration of the education service in a borough should be met in the first instance by the general provisions of the Education Reform Bill, but that further work should be done on the possibility of establishing Education Action Trusts (EATs).

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2. You will want to consider whether the new powers Mr Baker seeks over the management arrangements of the boroughs' education services will bring real benefits, and whether those benefits outweigh likely criticism of further centralising provisions in the Bill. The possibility of the complete financial collapse of either the ILEA or a borough is a general problem, which you will be discussing at E(LF) on 24 March. But you will want to consider the proposal that the LRB might take on the ILEA's functions for a short period, as an alternative to Commissioners. Finally you will want to consider whether you want the idea of Education Action Trusts (EATs) developed further, and whether there are other options to deal with the failure of the education service in an individual borough which should also feature in further work.

#### BACKGROUND

3. E(EP) agreed to the abolition of the ILEA on 3 February (E(EP)(88)1st Meeting), and this was endorsed by Cabinet the following day (CC(88) 4th Meeting). But E(EP) were concerned that some boroughs might prove incapable of running an adequate education service. Mr Baker was therefore asked to bring forward a paper on fallback options. He was asked to consider options based on the new right for schools to seek grant-maintained (GM) status, possibly with the assistance of retired teachers, the churches (in the case of church schools) and a new body or bodies established for the purpose (in the case of other schools). He was also asked to consider more radical options, such as EATs, following the model established by Urban Development Corporations and the proposed Housing Action Trusts (HATs).

#### MAIN ISSUES

##### Power to approve management arrangements

4. The boroughs are already being required to prepare development plans for their education services, which will be subject to the Education Secretary's approval. He now proposes extra powers requiring his approval to the appointment of the CEO (and possibly other senior posts) and to the management structure of the new education departments. He believes these controls will increase

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the chances of a successful transfer, and also control the manpower consequences of abolition.

5. But such powers also have disadvantages. They will be criticised in Parliament and elsewhere as further concentrating power in the hands of the Education Secretary, at the expense of local autonomy. No such powers were taken over the arrangements made by the boroughs when the GLC and Metropolitan County Councils were abolished. There may also be risks for the Government in getting too closely involved with the appointment of senior staff: the inner boroughs find it difficult to attract staff of high calibre because of the extra pressures and costs of working in inner London, and Mr Baker might be left with no option but to approve the appointment of weak candidates in one or more boroughs.

6. You will want to consider whether the advantages of taking these new powers outweigh the disadvantages.

#### Financial collapse

7. The complete financial collapse of an inner borough would have implications well beyond education, even if it were precipitated by problems in that service. Mr Baker must therefore be right to say that it would need to be tackled as a general problem, using Commissioners or the overseers model which Mr Ridley has proposed, and which E(LF) is to consider shortly.

8. But Mr Baker suggests that a transfer of ILEA's functions to the LRB might be an alternative to Commissioners if the authority itself collapses. This might have its attractions, particularly since the LRB will take on at least residual responsibility for the ILEA's affairs after 1 April 1990. But it would still require emergency legislation (unless powers were included in the Education Reform Bill - an option Mr Baker rejects), and would not in any way reduce the formidable financial and management problems

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posed by a collapse. There must also be doubts whether the LRB would willingly take on this role and indeed whether it would be suitable for the purpose.

9. Mr Baker opposes providing in the Bill for a transfer to the LRB if ILEA collapses. You may want to discuss this. If the ILEA collapse were sudden, it might not be easy to make the necessary legislative and other arrangements in time. Mr Baker says that legislation now would cast doubt on the Government's intention to transfer education to the boroughs, and might also encourage ILEA to behave in a way that made collapse more likely. But the legislation providing for LRB to take over education would be temporary, and arguably ILEA would be more likely to behave irresponsibly if they thought there was no alternative to them until 1990.

10. Subject to this point, you may want to agree that further work should be done on this option.

#### Education service collapse

11. Mr Baker proposes to rely in the first instance on the general provisions of the Education Reform Bill to counter the risk of an unacceptable deterioration of schools provision in individual inner boroughs. He suggests that the proposals for financial delegation, open enrolment and the national curriculum will all be relevant. But the most important element would be the right to seek GM status, and Mr Baker proposes that the GM Schools Trust should offer support and guidance to schools in inner London on this option.

12. But the possibility of a general deterioration in the education service will remain. Mr Baker proposes that further work should be done on the possibility of establishing Education Action Trusts to take over responsibility for schools for possible inclusion in future legislation (but not in the Education Reform Bill). E(EP) will probably want to agree to this further work, on a contingency basis. Mr Baker might be asked to bring a further

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paper to E(EP) on the outcome of this work. This might consider the possibility of extending the EATs' role outside primary and secondary education (to which Mr Baker seems to assume in paragraph 10 of this paper it would be limited) and, more fundamentally, the possibility of using EATs outside London.

13. You may also want Mr Baker to look at less drastic options of the sort mentioned at the previous meeting. For example, the establishment of local bodies which would act as umbrella organisations for schools seeking GM status, drawing on the support of the churches and other local interests. You may also wish to ask him to look at options for the other parts of the education service (eg nursery provision, adult education and non-advanced further education). E(EP) may want to ask Mr Baker to bring forward a further paper on these issues.

#### VIEWS OF OTHER MINISTERS

14. The Chief Secretary, Treasury is likely to support most of Mr Baker's proposals. He will be concerned that abolition should not lead to large increases in administrative staff in the boroughs, and may therefore welcome the new powers Mr Baker proposes. He will of course want the Treasury to be involved in further work on fallback options, including EATs.

15. The Environment Secretary is also likely to support most of the extra work proposed. But he may oppose the suggestion that the LRB should take responsibility for ILEA's functions in the event of a collapse before 1990, because of doubts about the LRB's ability to take on this role and its suitability.

#### HANDLING

16. You will want to ask the Education Secretary to introduce his paper. The Chief Secretary, Treasury and the Environment Secretary will both wish to comment.

RJW.

R T J WILSON  
Cabinet Office  
11 March 1988

CONFIDENTIAL



[Continuation from column 644]

## Student Unions (Funding)

11.41 pm

**Mr. Allan Stewart (Eastwood):** I am delighted to have this opportunity to initiate a debate on the important subject of the financing of student unions, a subject which has been of concern for some years to hon. Members, to the Government, to students, indeed to everyone interested in the proper use of public funds and individual rights.

Concern has focussed recently, perhaps particularly, on the compulsory membership of the National Union of Students. I draw the attention of the House to early-day motion 449 sponsored by my hon. Friend the Member for Thurrock (Mr. Janman) and endorsed by 213 other hon. Members. That motion welcomes the Employment Act 1987 with its measures to

“reverse closed shop arrangements, but notes that hundreds of thousands of students will still have no choice over whether or not they join the National Union of Students; and hopes that the Secretary of State for Education and Science will take steps to rectify this anomalous position as soon as possible.”

My hon. Friend the Member for Hertfordshire, West (Mr. Jones) raised this issue during business questions on 25 February last and the Leader of the House said it would be appropriate for hon. Members to table an amendment to the Education Reform Bill. My hon. Friend the Member for Thurrock and others have done just that, tabling a new clause to the Bill to move to a system of opting into membership of the NUS or other national student bodies. It would be premature to expect the Minister to leap to his feet tonight and announce that the Government intend to accept that new clause; we shall have to wait for the issue to be debated for him to do that.

I was a voluntary member of a students' union at the university of St. Andrews, where I was also president of the students' representative council, a separate organisation. That structure has some attractions, to which I will come later.

Students' unions north and south of the border began as voluntary organisations, as private clubs giving facilities to members. But as the concept of the student grant developed, membership dues were increasingly paid for most students by grant-giving bodies. Those bodies, the Scottish Education Department and local authorities in England and Wales naturally questioned those payments as not being strictly necessary. The response to that was to make membership compulsory. When that happened, of course there was automatic payment of fees for those who wished to join the students' union, and the union had the bonus that membership was compulsory for those who did not wish to join or were indifferent to joining.

That change had two inevitable effects. First, it made the students' unions much more free of any real need to satisfy their membership. Secondly, the fee, in effect, was negotiated by the union and the university or college authorities. It was paid for by the taxpayers and ratepayers. Inevitably, the fees went up.

Change was inevitable, and in 1980 the Government announced that in future the unions would be financed from the general funds of the university or college. That meant that the student union allocation was competing

with other demands from departmental budgets. It was hoped that financial realism and the need for the universities and colleges to provide proper institutional oversight would lead to wholly satisfactory arrangements.

It is my contention that that was a fundamental mistake by the Government because it broke the link between the membership of students' unions and their income. One of the books on the subject noted the consequence that

“The responsibility that should be at the root of any democracy has been entirely removed. Members have no financial responsibility for what the union spends or how it spends it.”

The income of the National Union of Students, which in 1986-87 amounted to about £1.84 million, was from the taxpayer through block membership by student unions. That means, as the early-day motion of my hon. Friend the Member for Thurrock points out, that perhaps hundreds of thousands of students who have no wish to do so are forced to be members of the NUS, but, on the other side of the equation, many individual students may wish to be members of the NUS but if their student unions have opted out, they cannot join because there is no longer the possibility of individual membership.

A fundamental point in relation to Government legislation in other areas is that, since membership of those unions is compulsory, and is a closed shop, in effect students are forced to join two closed shops.

It may be thought that the consequences of compulsory membership are not a matter of concern, or that any concern is purely theoretical. People may say that students will be students, nothing is ever perfect, and does it really matter in practice? I must tell my hon. Friend the Minister that I believe that it does really matter.

It matters to one of my constituents who was a full-time treasurer of his students' union. He was sacked because he refused to sign a cheque for students' union funds to go to the fighting fund for the striking miners. He argued that that was wrong, he refused to do it and he was sacked. It is not a matter of theory to him, it is a matter of real concern.

It is a matter of real concern to Mr. Paul Soden who refused to join the students' union at Manchester polytechnic. Although he was willing to pay the money, he was expelled from the polytechnic. It was a matter of real concern to Mrs. Patsy Fry who was expelled from her course at the Queen's road polytechnic in Bristol solely because she refused to join the student's union.

It matters that at Stratclyde university my right hon. Friend the Member for Henley (Mr. Heseltine) was unable to address a meeting; it was disrupted and had to be abandoned. Conservative students have been refused the right to speak at student association meetings solely on political grounds and have been shysically attacked by their political opponents.

It is a matter of general concern to society that students may pursue a so-called no-platform policy under which those who profess views with which student union leaders do not agree are refused the right to speak. That goes right to the heart of academic freedom and democracy, whatever the views of the people concerned.

**Mr. Derek Fatchett (Leeds, Central):** The hon. Gentleman says that he supports academic freedom. When the Education Reform Bill reaches its Report stage and the Opposition table an amendment relating to the definition of academic freedom for academic staff, I assume that the hon. Gentleman will support it.



**Mr. Stewart:** I am not sure whether the hon. Gentleman's concept of academic freedom and mine are the same. However, I speak as a former university teacher and I have been in touch with my hon. Friend the Minister about that Bill. He gave a very helpful reply to the point that I raised with him.

**Mr. Fatchett:** I am interested in the intellectual conclusion that the hon. Gentleman draws: that our definitions of academic freedom are different. I suspect that the evidential basis for that conclusion is very weak, and it might be helpful if the hon. Gentleman were to define academic freedom.

**Mr. Stewart:** Academic freedom is fundamental to our society. If people are invited to give their views to a particular institution, they should have the right to do so. That fundamental right has been denied by student unions from time to time. I have already mentioned my right hon. Friend the Member for Henley. Lord Joseph also suffered such attacks when he was Secretary of State for Education and Science.

I am not making a general attack on student unions or on the National Union of Students, but there are matters of general concern about the NUS. There are long-standing links with, and on some occasions there has been explicit support for, the IRA. At the 1987 NUS conference, Sinn Fein members called for the intensification of the anti-Unionist campaign. It matters that taxpayers' money has been used by the NUS to campaign against the Abortion (Amendment) Bill. Hon. Members may hold widely differing views about that Bill, but why should taxpayers' money be used in that campaign?

My hon. Friend the Minister ought to be concerned about the fact that there was a national demonstration against the Education Reform Bill—not because there was a demonstration, or because students were there, but because subsidised tickets were available from, for example, the students' union at Bristol university—I have a report about it in my hand—to attend the demonstration. Why should my hon. Friend be in charge of handing out taxpayers' money for people to come on subsidised bus trips to oppose the Government's legislation? That is an example of what can happen.

What is the answer to these problems of individual freedom and potential abuse—the problems, in effect, of two closed shops?

**Mr. Robert B. Jones** (Hertfordshire, West): My hon. Friend has been talking about two closed shops, referring to the local students' union and the National Union of Students. He should also bear in mind the affiliation of the National Union of Students to the International Union of Students. There is therefore a third closed shop.

**Mr. Stewart:** My hon. Friend has added a new dimension to the debate. I had thought that two closed shops were good going.

What, then, is the answer? I do not think that it is any good tut-tutting, or blaming Left-wing students; after all, they are just taking advantage of the opportunities that the system offers them. I think that the answer is to apply the principle that the Government have applied elsewhere, especially the returning of trade unions to their members.

The Government should recognise that we are talking about three different functions: first, the services for students, which require to be paid for—usually, under

the present system, via the taxpayer; secondly, local representation on the individual campus, and the need for a channel of communication between students and the university or college authorities; and thirdly, a national trade union.

In regard to the first function, I feel that it would be preferable if the Government simply increased the grant under the present arrangements, and gave students the choice whether to spend the money on being members of a student union. After all, students are by definition intelligent people capable of making a rational choice.

As for the local representational function, there is a case for a direct grant from the university authorities for that limited function. As for the third function—the financing of a national trade union—it is absurd that that is currently compulsory and financed by the taxpayer. As my hon. Friend the Member for Thurrock has suggested, let individual students opt into membership of a national union, and let the Government give direct grants to such a body if they wish to do so, for specific and agreed purposes. There are various possible methods of achieving those objectives.

I hope that my hon. Friend the Minister will recognise that there is a genuine problem, and that he will agree that the Government should apply their general principles to the problem of what have been called the forgotten closed shops: the same principles of individual choice that have been so successfully applied by the Government to other areas of national life.

11.58 pm

**Mr. Robert B. Jones** (Hertfordshire, West): I should like to declare an interest, as a life member of St. Andrews university students' union.

I am grateful to my hon. Friend the Member for Eastwood (Mr. Stewart) for initiating a debate about this important issue. I have felt passionately about it ever since I was a student, and, indeed, ever since I was a student union official.

My hon. Friend the Member for Eastwood was a very distinguished president of the student representative council, but I think that I go one beyond him in that I was not only an officer of the student representative council, but also an officer of the students' union. I think that the traditional pattern in the Scottish universities of separating the services role of providing food and cheap refreshment from the political representative system is quite a good one.

My most vivid memory is of the seemingly interminable debates that took place in the students' representative council at St. Andrews when I was there about its membership of the NHS. When I first went to St. Andrews—I imagine that the same was true when my hon. Friend the Member for Eastwood was there—we were affiliated to the Scottish Union of Students, an entirely separate body. The NUS had ambitions, as trade unions do from time to time, and sought to take over the SUS. In order to do so, it offered free membership of the NUS to the student unions presently within the SUS.

We tried that and about two thirds of the way through the year the student representative council in St. Andrews' decided that it would vote to disaffiliate from the NUS because it felt that it had had rather bad value for money. It was also concerned about the extremist political image of the NUS.



Despite the fact that St. Andrews' had a year's trial membership, the NUS said that we could not leave without giving a year's notice and paying the affiliation fees for that period, so we were unable to disaffiliate. It took several years before a referendum of the students decided to pull the university out of the NUS, a model that was followed subsequently by a number of other Scottish unions.

The clear point that came out during the course of that debate about membership of the NUS was not just the value-for-money one but the moral one. The NUS was clearly recognised at that time as an extremist political body. Its political stance on Northern Ireland, for example, was unconditional support for both wings of the IRA.

As a delegate to the NUS conference in Birmingham in the early 1970s, I attended the debate at which that motion was passed. I found it deeply offensive, as I know did the students at my university. Many of the students at St. Andrews' come from Northern Ireland's unionist community. There has always been a close relationship between the Province and Scotland. It was intolerable for them that their money, through their subscription to the NUS, should be used to support a body which was actively bombing, maiming and killing their friends and relatives in Northern Ireland.

But the issue was not just the NUS's policy on the IRA; there were many other policies that were equally unacceptable, either to large groups of students or to individuals with views on particular matters. I cite, for example, the religious views of Jehovah's Witnesses, which do not permit them to join such bodies; they must therefore decide whether to go to university and be obliged to compromise their religious views, not to go to university, or to find one of those few universities that are not affiliated to the NUS. That is an intolerable infringement of people's conscience and religious freedom.

In recent years there have been many examples of intolerance practised by local student unions and the NUS. I do not know whether my hon. Friend the Minister will refer to this, but one that sticks in my mind is the discrimination against Jewish students that has been specifically practised over the years.

The student unions have taxpayers' money and money from their individual members and they dole it out to societies affiliated to the union. They pick and choose the causes that they want to support. A body of which they approve might receive a large grant and one of which they do not approve might get no grant at all. Jewish society after Jewish society was denied any funding out of allocations in individual universities because of the pro-PLO stance of the local student union, and that is intolerable.

I said in an intervention in my hon. Friend's speech that he had overlooked — I am sure unintentionally — the third closed shop, the International Union of Students, which is closely identified not just with the far Left but with the Soviet Union and its satellites. Almost every hon. Member, whatever his or her political affiliation, would find the motions passed by the IUS at its conferences deeply offensive, yet students are forced to subscribe through their funds, or through taxpayers' funds, to those causes.

This is a moral issue. The Government should not stand aside and say that the matter is for the students to decide and that they can vote extremists out of office, because

even quite moderate student unions would not in any way satisfy the point of conscience raised about Jehovah's Witnesses. As my hon. Friend the Member for Eastwood said, unions which have compulsory membership grow lazy and unresponsive to their members, because they know that they will get the same amount of cash whether the service they provide is good or bad.

My hon. Friend touched only lightly on possible solutions. I agree with him that in the long term it is perfectly proper to separate the political representative functions — the trade union functions — of student representative councils from the functions of providing services, but both functions should be voluntary. In the short term, there is no case against the membership of the National Union of Students being made voluntary. I recommend to my hon. Friend that students who wish to become members of the NUS should have to choose to become members.

That would not cause any administrative problems. It is possible at present, and it has always been possible, for students of colleges which are not affiliated to the NUS to join it, and many students do. In my days as a student at St. Andrews', before we affiliated to the NUS, many students belonged to it, although they did not have to.

It could also provide a choice of unions — that is a theoretical possibility, but one that should be encouraged — because different unions with different objectives could be set up. That would provide students with a choice, which would be beneficial to them as it would enable them to shop around and obtain better concessions on items such as travel and insurance.

This is the last great closed shop. It is a moral affront to anybody who believes in democracy and it is a moral affront to taxpayers who are forced to pay for this absolutely extraordinary farce. What other trade union has its subscriptions paid for by taxpayers? Not one. That is why the model should be outlawed by my hon. Friend when he gets a legislative opportunity.

Some of us have stayed up late tonight because we remember all too vividly the intolerance of the National Union of Students and Left-wing student unions. We have been acquainted with far more modern instances of that by our constituents, and I hope my hon. Friend will be able to give a positive lead today.

12.8 am

**Mr. Gerald Howarth** (Cannock and Burntwood): I am grateful for being called in this important debate, and I congratulate my hon. Friend the Member for Eastwood (Mr. Stewart) on his great success in coming third in the ballot.

**Mr. Fatchett:** A great deal of skill.

**Mr. Howarth:** The hon. Gentleman is very familiar with the matter and will appreciate that the ingenuity of my hon. Friend has allowed his name to come so high in the ballot.

The hon. Member for Leeds, Central (Mr. Fatchett) will appreciate that although many of my hon. Friends are here tonight at this late hour, we represent but the tip of the iceberg. As the hon. Gentleman ought to be aware, nine tenths of the iceberg appears below the surface. If my mathematics are correct, I would imagine —

**Mr. Fatchett:** It is nine tenths of the iceberg, only if the hon. Gentleman has 45 supporters, or should we say 50?



**Mr. Howarth:** It may well be 45 in total. It would be 46—

**Mr. Tim Janman (Thurrock):** From the number of signatures to my early-day motion, I suggest that each of us represents one iceberg.

**Mr. Howarth:** My hon. Friend has made an extremely important point by showing the strength of feeling on this issue. More than 200 of my right hon. and hon. Friends signed the early-day motion, which has now been incorporated in an amendment to the Education Reform Bill. I hope that my hon. Friend the Minister will acknowledge the strength of feeling and bring proposals forward when the Bill reaches its Report stage.

Like my hon. Friends the Members for Eastwood (Mr. Stewart) and for Hertfordshire, West (Mr. Jones), I must declare an interest. I was also a pressed man in the National Union of Students when I was at Southampton university in the great, heady days of the late 1960s, when all was turbulent. The hon. Member for Blackburn (Mr. Straw), who sadly, is not with us tonight to share in these important proceedings, had been elected as chairman of the NUS. Of course, he was a more moderate gentleman then, and by comparison with the rest of the Labour party he is almost one of us now. That shows, either that wisdom comes with old age, or that the Labour party has moved dramatically to the Left. I suspect that the latter is probably the case—*[Interruption.]* The hon. Member for Leeds, Central will have to speak up if he wants to intervene from a sedentary position.

I was at university at a turbulent time. I managed to become a member of the students representative council and participated in the affairs of the union. I am delighted that a newspaper has taken a potted look at what it calls "a random harvest" of the latest political leanings and activities in various universities around the country. I see that Southampton university is described as "Apathetic and very Tory". They strike me as excellent things for a university to be.

One of the problems that arose when we were all pressed men in the union was that we had to fight constantly against a certain degree of apathy and deal with professional student agitators.

**Mr. Robert B. Jones:** I cannot let my hon. Friend get away with calling this apathy. Rather, it involves other priorities. There is nothing wrong with a student having enjoyment or work as priorities rather than mucking around with Left-wing politics.

**Mr. Howarth:** That illustrates the passion with which my hon. Friend views these matters. He is so concerned that he has anticipated the very comment that I was about to make.

At the time of the great troubles, Professor Max Beloff asked why students who had gone to university to study and learn, and to make friends, should, as part of their wider education, become involved in grotesquely trivial political matters. He said that to play a game of cricket or pursue a young lady were equally valuable pursuits. In the light of yesterday's debate in the Chamber, that seems to be a wholly honourable thing for a young man to do at university.

It was a feature of the times that, to preserve a moderate balance, in Southampton we tried to get the entire engineering section to vote at lunch time for some common

sense. The trouble was that, unlike the social scientists, who kept gentlemen's hours, the engineers had to work and engage in a certain amount of discipline. They would pitch in at 5 minutes past 1, having come straight from lectures, vote down all the political nonsense from the Left, and disappear at 2 minutes to 2 to get back to lectures, and at 5 minutes past 2 the die-hard Lefties, who did not have to go back to lectures, would reverse everything that was a genuine reflection of the views of the normal students at the university.

**Mr. Robert B. Jones:** At least engineering students could spend their lunch time voting. I spent my lunch time quaking because at 2 o'clock I was due to have an economics lecture from my hon. Friend the Member for Eastwood (Mr. Stewart).

**Mr. Howarth:** I am delighted that my hon. Friend was quaking. It clearly illustrates that my hon. Friend the Member for Eastwood was doing an extremely good job. As a result of it, my hon. Friend the Member for Hertfordshire, West is now in the House, and we are all, therefore, beneficiaries. My hon. Friend the Member for Hertfordshire, West told me that I could not go home but should join in this debate. It is a very important debate and, of course, I postponed my departure to be here to demonstrate my concern rather than be with my wife and family and my constituents.

My hon. Friends have made strong points about the fact that the fee that is paid to student unions is in no way negotiated by the student concerned. It does not come out of the student's pocket, and therefore there is no connection between the fee that is paid and what goes on in the students union. I think that we would all accept that much of what goes on in student unions, and what went on in the 1960s and the early 1970s, is unexceptional. Student unions should provide social and sporting facilities for the better education and enjoyment of students, but after Fred Jarvis became involved—I understand that he was one of the early NUS presidents after the war—the students union became politicised—much has happened to the trade union that he now heads. Everyone is now looking back on that period, as it is 20 years since the great problems of 1968. The unions were thrown into turmoil.

I am one of the few hon. Members who were in Grosvenor square in March 1968 for the great Vietnam demonstration.

**Mr. Fatchett:** I was there.

**Mr. Howarth:** The hon. Gentleman was there as well.

**Mr. Fatchett:** And the Minister.

**Mr. Howarth:** Well, there were three of us. I suspect that I am unique among those of us who were there in Grosvenor square on that horrifying and frightening occasion. I was unique in so far as mine was the only banner in support of the Americans. I took the precaution of ensuring that there was a thin blue line of men from the Metropolitan police between me and the hordes, and very wise I was, too.

Half an hour before, we had heard these people coming down the streets. There was a roar. They entered the square and I saw them tearing up the square with their bare hands and tearing down palings and jabbing the policemen's horses with them. It was a frightening



experience — all the more frightening because of the political pusillanimity of the Government of the time, who allowed all that to go on.

Subsequently, I went to the London School of Economics. I ruffled my hair, tried to look shabby and said that I was a comrade from Southampton who had come to try to help. It shows the naivety of the Left-wing students at the time that I was posted to security. I was completely unknown to them. I merely said that I was a comrade come to join them. They played the BBC news over the loudspeaker system at the LSE, and they all sat there wondering what to do: They were the first item on the news — this massive demonstration in Grosvenor square — and none of them had managed to fathom the magnitude of what they had done, or what they would do thereafter. The whole thing was what I could call, "Kicking against the pricks."

I must be careful how I continue, but I believe that that expression would not be wholly inappropriate to our political leaders at the time, who allowed themselves, supinely, to be dealt with in that way.

Time is pressing, and I know that some of my hon. Friends and the hon. Member for Leeds, Central wish to speak. I have three principal anxieties. The first is about freedom of expression. I went through that experience in the 1960s and was vilified. I tried to organise a meeting for Patrick Wall, the former Member of Parliament for Haltemprice, and he was howled down despite the fact that we had installed extra 50 W amplifiers. My hon. Friends who knew Patrick Wall in the House will know that he is an extremely mild-mannered man, yet he — an elected Member of Parliament — was denied the opportunity of speaking about the defence of our country, which should not be controversial.

To try to defuse the problems, there was a joint declaration from the Committee of Vice-Chancellors and Principals and the National Union of Students. It was a disaster —

**Mr. Robert B. Jones:** It was not worth the paper it was written on.

**Mr. Howarth:** It certainly was not. That is why I am so angry about the NUS. It is not a principled bunch of people, and it never has been on such matters. It has never been prepared to guarantee freedom of expression, and that is why my right hon. and hon. Friends were forced, two years ago, to introduce the Education (No. 2) Act 1986, section 43 of which deals with freedom of speech in universities, polytechnics and colleges. That is not only an indictment of the NUS; it is a heavy indictment of the supine men and women who have been responsible for running our universities. At Southampton, when we wished to organise a meeting to which Enoch Powell had been invited and the student union refused to allow us to have a room in the union, the vice-chancellor said, "You are asking me to take your hot chestnuts out of the fire for you." The man was not prepared to stand up for freedom of expression.

My hon. Friend the Member for Eastwood mentioned the no platform policy, which is still very much in existence. Let us not forget that in the past few months my hon. Friend the Member for Luton, North (Mr. Carlisle) has been subjected to assault and battery. In Manchester, three years ago, the former Home Secretary, my right hon. and learned Friend the Member for Richmond, Yorks

(Mr. Brittan) was subjected to the most grotesque attack. I say to the hon. Member for Leeds, Central, and I should be interested to hear his response, that those who espouse his brand of politics, tend to attack those who espouse our brand of politics, and those who espouse our brand of politics tend not to attack those who espouse his brand of politics. That fundamental difference needs to be remembered.

My second anxiety is about the ultra vires payments. For as long as I can remember, student unions, given this funding, which does not even pass through students' pockets, have attempted to divert it into unworthy causes — causes outside the remit of any student union, either for the funding of demonstrations or for the funding of strikes and strikers.

During the National Union of Mineworkers strike, outrageous attempts were made in universities to fund the strikers or to send people to support the picket lines. What had that to do with learning? Absolutely nothing! Even the president of the National Union of Mineworkers was incapable, and remains incapable, of learning anything, so there was no value in that action.

My third point relates to the concept of accountability by opting in. The fact that the National Union of Students says that it speaks for 1.2 million people, or however many it is, gives to it a spurious authority, when its membership is entirely press-ganged. My hon. Friends have mentioned what is happening nationally and on the international scene. The NUS is used as a political vehicle when it has no right to be hijacked.

Like the Scottish Labour party, the system is an anachronism. It is out of date and serves no useful purpose. Therefore, I hope that my hon. Friend will be able to give us some indication tonight that the commitments given by successive Front-Bench Conservatives, notably when they were in opposition, will become robust. I hope that he will translate into Government action that which tripped so easily from the tongue when in opposition. We hope that the Minister will be able to send us home to our constituencies tonight full of encouragement and joy.

12.27 am

**Mr. Graham Riddick (Colne Valley):** I, too, add my congratulations to my hon. Friend the Member for Eastwood (Mr. Stewart) on winning the ballot, which is the easy part, and also on raising such a sensible subject.

My hon. Friends have identified the problem. I believe that there is a problem, first, with the method of funding and, secondly, the related problem of the closed shop, which leads directly from the method of funding. As my hon. Friends rightly say, three closed shops operate. I should like to talk about two of them. The first is the National Union of Students. Any student who belongs to a students' union that is affiliated to the NUS finds himself automatically affiliated to the national union as well as to the individual students' union. It is absolutely right that my hon. Friend the Member for Thurrock (Mr. Janman) should have tabled an early-day motion, and he has secured the support of well over 200 Conservative Members on the matter. There is no justification for dragooning thousands of students into the NUS.

I must gently admonish my hon. Friend the Member for Thurrock, although one has to be very careful before doing so as he is one of the "driest" Members of the House. But I must gently admonish him for concentrating his



[Mr. Graham Riddick]

motion and, indeed, his amendment to the Education Reform Bill upon the closed shop of the NUS. There is another closed shop, of individual students' unions, which I believe is a more serious problem. The situation is such that, if one wishes to study at any university, polytechnic or college in this country, one has to belong to a students' union. I cannot see how that situation can be defended in any way.

The Government abhor industrial closed shops and the most recent Employment Bill, currently going through another place, will effectively neuter their effect. However, the Government allow the closed shop of the students' unions to continue. The Government must now concentrate their minds on that issue. I am sure that my hon. Friends will agree that there should be no step-by-step approach. We must deal with the NUS and the student union closed shops.

**Mr. Janman:** I am grateful for the gracious way in which my hon. Friend has admonished me. Does he agree that the fact that the student closed shop—irrespective of how one wishes to define it—is funded by the taxpayer means that it is far worse and less defensible than industrial closed shops?

**Mr. Riddick:** I agree. There is no defence for a closed shop that is wholly funded by the taxpayer. It is extraordinary that the Government are prepared to allow this situation to continue. I hope that the Government will now grasp this important nettle.

The money for students' unions is passed directly, as a block grant, from the parent institution to the compulsory membership union. The individual student does not see his contribution. In many cases he has no idea that that money has passed over to that union. There is no accountability. Each union therefore has a guaranteed income without the need to attract a single customer for its services.

Generally, the services comprise bars, cafeterias, refectories and a varied range of sporting and welfare services. Entertainment events are also organised throughout the terms. However, the block grant also helps to fund a rag-bag of special interest and political groups. The money also funds the payment of sabbatical officers—people who, by and large, are Left-wing political activists. It is a classic case of jobs for the boys.

It is bad enough that any Government should be funding such things, but it is extraordinary that a Conservative Government should do so. It is estimated that about £40 million of taxpayers' money is handed over to an extraordinary assortment of Trotskyists, Marxists, Maoists and other Left-wing activists.

There is scope to introduce a market mechanism to ensure that the services provided are subject to the same economic laws that have led to dramatic improvements in other parts of the state sector. The Government have already grasped the difficult nettle of nationalised industries. They are more effective, efficient and market-orientated. We are now trying to effect such changes in Government Departments and agencies, and that is absolutely right.

**Dr. John Marek (Wrexham):** I am interested to hear the hon. Gentleman's comments. Will he tell us in what way British Telecom is now more efficient?

**Mr. Riddick:** I am not sure whether I should be taken down that road, but, in my experience, British Telecom was the most appalling monolithic nationalised monster in the 1970s. One had to wait months, in some cases up to six months, to have a telephone installed. That situation has now been completely reversed. Of course British Telecom is not perfect, but it is improving. Furthermore, investment in British Telecom today is far higher than it was when it was a nationalised industry.

**Mr. Fatchett:** Will the hon. Gentleman give way on the subject of British Telecom?

**Mr. Riddick:** I do not want to give way to the hon. Gentleman on the subject of British Telecom. I shall happily give way to him, but not on the subject of British Telecom.

**Mr. Fatchett:** I shall deal with the hon. Gentleman's comments about British Telecom later. He might be interested to hear my comments.

**Mr. Riddick:** I shall look forward to that.

Student unions are featherbedded, unaccountable and excessively wasteful. Often they are loss-making, scruffy and down-market and provide only limited or poor quality services in an atmosphere of shabby, political agitprop. Leeds university is a good example of that. My hon. Friend the Member for Taunton (Mr. Nicholson) went up to Leeds only last week and I am sorry to report to the House that his speech was interrupted by a load of militant Socialists and Trotskyists who did not like what he had to say. There is no justification for such behaviour.

The students' union at Wolverhampton polytechnic is £70,000 in the red, yet the union prefers to spend its time persecuting members of the Conservative association and spending large sums of money on far Left political causes. The majority of students at Wolverhampton polytechnic wholly ignore the seedy and unpleasant students' union and instead use the facilities in the nearby city centre. The pattern of far Left political control is replicated throughout the country.

I wish to turn now to the possible solutions to the problem. One involves the facilities which students' unions currently provide for their members. Those facilities, including bars and cafeterias, should have to stand or fall on their own efforts. They must be made market-orientated. If Labour Members were to say that that was not possible, I have no doubt that breweries would be only too happy to supply beer at very advantageous prices to the students' unions. We all know how much beer students can consume. Furthermore, the breweries would be only too happy to lend money at very generous rates of interest.

Other solutions could be found if university and college authorities retained a certain amount of the block grant to provide, for example, sports facilities. The money left over should then be allocated to individual students so that no money went directly to the students' unions. If left to individual subscriptions, the National Union of Students would wither on the vine.

The Government have a duty to grasp the nettle. They must take away the money and power which they are inadvertently giving to those Left-wing agitators and militants.

12.39 am

**Mr. Derek Fatchett (Leeds, Central):** These are interesting times for the Secretary of State for Education



and Science. He has already been ambushed by the right hon. Members for Henley (Mr. Heseltine) and for Chingford (Mr. Tebbit) and forced to change his mind about the abolition of the Inner London education authority. That defeat did his political stock no good. He has now been in open disagreement with the Prime Minister about the provisions of the Education Reform Bill. It is interesting to see what today's *Financial Times* has to say on the subject. It mentions the increasingly authoritarian style of the Prime Minister and the powers of the Secretary of State:

"As to the Education Reform Bill, there are at least 184 new powers. You may think, 'So what?'"—

**Mr. John Battle** (Leeds, West): Is that all?

**Mr. Fatchett:** I am sure there will be more by the time the Bill reaches Report stage in another place.

"You may think, 'So what?' But it means that the Secretary of State for Education, Mr. Kenneth Baker, can set a national curriculum for schools, by order. He can set attainment targets, by order. As this week's disclosure of a letter from an official in No. 10 Downing Street to his counterpart in the Department of Education indicates, the order is as likely to reflect the views of the Prime Minister as those of her Education Secretary."

So the Secretary of State is having some difficulty winning his way on crucial issues such as assessment, and it is clear that the real Secretary of State is the Prime Minister.

Tonight, the Secretary of State faces his third major political ambush—the St. Andrews' mafia have come for him. They are here to persuade the Secretary of State to change his mind yet again. They may be on to a winner, not because of their intellectual arguments but because we know that the Secretary of State is desperate for a few friends. When one's stock is as low as the Secretary of State's, even the St. Andrews' mafia may comfort him.

Conservative Members may find some support, but I warn them in advance that I have had the pleasure of seeing the Parliamentary Under-Secretary of State in Committee, where he said no every time. I suspect that he will say no again tonight. He was christened Stonewall Jackson by my hon. Friends in Committee. I am sorry to disappoint the Minister's hon. Friends, but I can forecast what he will say.

**Mr. George Robertson** (Hamilton): On the subject of the St. Andrews mafia, I went to that organisation—that is the operative word—too, but before certain new hon. Members made it unrespectable. I was at Queen's college, Dundee, and we used to suggest international visits to St. Andrews' from Dundee. In those days, the students' union and representative council were run by a blue mafia—they were extremists. One of them was called Duncan Pirie, but has since changed his name to a posher version—Manson Pirie. He now runs one of the eccentric Right-wing organisations that writes the manifestos that people such as the Minister must stand up and defend with the stonewall expression that my hon. Friend the Member for Leeds, Central (Mr. Fatchett) has described.

However, hon. Members should not be put off; some decent people came out of St. Andrews, even if they are under-represented in the House.

**Mr. Fatchett:** My hon. Friend proves that at least one decent person came out of St. Andrews. Clearly, my hon. Friend's experience of travelling from Dundee to St. Andrews has made him a suitable candidate to be a foreign affairs spokesperson.

The hon. Member for Eastwood (Mr. Stewart) talked of academic freedom. It might be useful to return to that theme because one or two of his hon. Friends spoke about it. I intervened on the hon. Member for Eastwood. We all know him to be consistent, and if we can show him at a later stage in the passage of the Bill that we can come forward with a definition of academic freedom for academic staff that is agreed by the Committee of Vice-Chancellors and Principals. I have no doubt that he will support it.

Perhaps I could suggest to the hon. Gentleman a little background reading of the reports of some of the debates that have taken place. He might be interested in today's issue of *The Independent* or, in the context of this debate, yesterday's issue of *The Independent*. In that there is a review of the proceedings in Committee on the Education Reform Bill. With some perception, the author says that on the question of academic freedom the Secretary of State was somewhat embarrassed and found his position difficult to maintain. The journalist said of the Under-Secretary of State for Education and Science, the hon. Member for Wantage (Mr. Jackson) that there was no such embarrassment.

May I ask the hon. Member for Eastwood and those other hon. Members concerned about academic freedom to forget what the Under-Secretary may say in that context, but to support the Secretary of State and fight for academic freedom for individual staff?

Some hon. Members have spoken about freedom on the campus. I have always supported freedom of speech on the campus and it must be supported as long as it is within the law. If hon. Members look at the record of the debates on the Education Act 1986 they will see what I said on that occasion. I have always argued that the "no-platform" policy causes the National Union of Students a great deal of difficulty and is wrong in much of its implementation.

**Mr. Robert B. Jones:** Does the hon. Gentleman hold that view on principle?

**Mr. Fatchett:** Yes. My view is on the record and there is no attempt to fudge the issue. I make the point clearly to the hon. Gentleman that that principle of freedom of speech within the law must be maintained. Those who break the law are not exercising the right of freedom of speech, they are abusing it. In terms of student union politics I have always held that position.

I should like to turn to two aspects of the hidden agenda before coming to the real agenda. That hidden agenda has become clear because of the failure of Conservative student politics. The Conservative student movement has been an incredible embarrassment to the party and to Conservative Members. It is not surprising that Conservative Members now look slightly sheepish.

The record of the Federation of Conservative Students is a catalogue of abuse. Those who need the press reports about the Young Conservative conference at Eastbourne just a few weeks ago will know about the behaviour of the former Federation of Conservative Students and the way in which it tried to use physical and political violence to make sure that it could impose its views. We saw the behaviour of the FCS when its members damaged the students' union at Loughborough. Was that two years ago? We have seen the intervention of the right hon. Member for Chingford when he was chairman of the



[Mr. Fatchett]

Conservative party. He had to intervene because of the FCS had become such an embarrassment to the Conservative party.

All that is not surprising, because the politics of the far Right clearly has some influence in the Conservative party, but it is an influence that the party wants to hide. The right hon. Member for Chingford is not known for niceties and acted when it became known that the FCS was becoming a political embarrassment. It talked in many contexts about legalising drugs and intervening in central America. It produced the scandalous draft of the newsletter at Aston university after the Bradford City football club fire. After those events, the political wing of the Conservative party in student organisations was in disgrace and the right hon. Member for Chingford was right to close it down.

**Mr. Janman:** Will the hon. Gentleman accept that there is a fundamental difference between a student organisation that is part of a political party that is not funded by the taxpayer and a national student organisation that is undemocratic, has a dragooned membership, has extreme policies and is funded by the taxpayer?

**Mr. Fatchett:** I am very interested in the hon. Gentleman's intervention. I wonder why he does not answer my point. My question is, very simply: is he embarrassed by the behaviour of the former FCS, or did he support it and its policy? I should be happy to give way to the hon. Gentleman, because I think that he would like to answer that question. It is not about taxpayers' money. What I want to know from him is whether he stands by the old FCS and what it stood for. Will he tell us?

**Mr. Janman:** It is totally irrelevant to the debate, Madam Deputy Speaker. What we are debating tonight is the funding of student unions and the funding of the National Union of Students. It seems to me that it is about time that the Front-Bench spokesman for the Opposition started to address that topic.

**Mr. Fatchett:** Again, Madam Deputy Speaker, the weasel words of the hon. Gentleman will be noted with great interest. What the hon. Gentleman will not do—I suspect that it comes out of that same stable of views—is condemn the Federation of Conservative Students.

**Mr. Robert B. Jones:** On a point of order, Madam Deputy Speaker. I understood that this debate was about the finance of student unions. The hon. Gentleman, so far, has talked about the Education Reform Bill and his views on that, and about the FCS and his views on that, and we have had 11 minutes of it. We have yet to hear from him about the finance of student unions. Is the hon. Gentleman entitled to use all this debating time on material which is unrelated to the subject?

**Madam Deputy Speaker (Miss Betty Boothroyd):** In my view, the hon. Gentleman is not out of order; nor has he been on his feet yet for 11 minutes. Mr. Fatchett.

**Mr. Fatchett:** I could make progress, Madam Deputy Speaker, if there were not so many interventions. It is not my fault; I am not trying to delay the House. I can understand the hon. Gentleman wanting to get the subject away from the Federation of Conservative Students. This is one part of the hidden agenda—the failure of the Conservative party to recruit among students in our universities and polytechnics. There is only one saving

grace as far as the Conservative party is concerned in terms of recruitment, and that is the alliance. It does worse, but only just, and if the FCS has more influence the Conservatives will do worse than the alliance.

The other part of the hidden agenda is the clear authoritarianism of the Conservative party. My hon. Friend the Member for Leeds, West (Mr. Battle) has said how interesting it is that Government Members defend freedom of speech when at the same time we have the language of the Prime Minister about her desire to “extinguish” Socialism—the language of violence and eradication.

The real authoritarianism of this Government stretches to the press, to the BBC and to all those institutions that offer alternative views. We know, and it has been clearly stated, that every student union that disagrees with the Conservative party is a target for that authoritarianism. If it disagrees with the Conservative party, it is in danger of being closed down.

When it comes to the argument about the closed shop, I feel that I am on very safe ground indeed. I rely on the former Secretary of State for Education, the noble lord, Lord Joseph. It seems to me that Lord Joseph came out of the Right-wing political stable of the Conservative party. He differs, I suspect, from a number of hon. Gentlemen here tonight in that he is a thinking man, a sensitive man. In October 1983, at the Conservative party conference, he said of student unions:

“a wrong impression has been given by the phraseology we use, we use the words of industrial trade unionism. In fact the student union is not the same—mercifully—as an industrial union.

The only work it can stop is by itself, by its own members, to its own harm. What we have in the student union is provision that enables automatic membership, automatic access to be given to students at a polytechnic to the facilities such as libraries and sports facilities provided by the public and I do not see how we can therefore make membership voluntary.”

Lord Joseph was right in October 1983 and I suspect that some Conservative Members present tonight supported him at that time. He clearly said that the student union was not a closed shop on the basis of an industrial closed shop. The student union is of the nature of a providing body, whereas the closed shop is in essence part of an economic collective relationship. Because Conservative Members have failed to relate their arguments on this issue to the points made by Lord Joseph, their argument falls.

The student union provides a range of services which are among the opportunities available in student life. They extend beyond the political. While the Conservative party does badly on the political side in that context, there are sporting and cultural facilities and many of us have benefited from them.

I remember Grosvenor square in 1968. Although I was there, I hope it was not I who allowed the hon. Member for Cannock and Burntwood (Mr. Howarth) to be responsible subsequently for security. I recall, too, when at the London School of Economics, having the advantage of playing for the LSE cricket club, which was subsidised through the student union, of being elevated to the dizzy heights of vice-captain and secretary of the cricket club, and of performing those tasks using all the skill with which I have run my subsequent political career. We won many matches, including the Universities Cup. My only mistake as secretary was to have three teams playing on two pitches, an occasion when Socialist planning did not work.



Within the political process at local and national level we have the opportunity for individuals to express their views. The hon. Member for Cannock and Burntwood spoke of his time at Southampton university and of activating the silent majority. That is all part of the democratic process, and I respect his efforts in that matter. But what I suspect the hon. Gentleman and many of his hon. Friends regret is that the Conservative party cannot find a substantial majority among student bodies, and that that is the reason for their attack tonight.

We believe in student bodies. There is a role for the NUS as a voice that can represent the interests of students to Government. That is why we want to maintain the system as it is and why I hope the Minister will reject tonight's Right-wing monetarism—this Right-wing free-market force from St. Andrews'—and will recall what my hon. Friend the Member for Hamilton (Mr. Robertson) said about better forces having come out of St. Andrews'. I am sure that those better forces would recommend the continuation of the student union arrangements as they now exist.

12.58 am

**The Parliamentary Under-Secretary of State for Education and Science (Mr. Robert Jackson):** The debate has been interesting and useful, and may well be pregnant with consequence. We are grateful to my hon. Friend the Member for Eastwood (Mr. Stewart) for raising the matter.

Following the precedent set by my hon. Friend the Member for Hertfordshire, West (Mr. Jones), I declare my interest as a former president of the Oxford Union, a student union which happily conforms to the model prescribed by my hon. Friend the Member for Eastwood.

Two different but related sets of issues have been raised in the debate: that of local unions—unions at the level of the institutions—and that of the NUS; and I wish, first, to register the significance of the debate. Hon. Members have shown an impressive commitment by their eloquence and arguments. There was, of course the impressive commitment reflected in early-day motion 449 put down by my hon. Friend the Member for Thurrock (Mr. Janman), which has now attracted about 214 signatures. By the standards of parliamentary icebergs—if that is what early-day motions are—that is a major iceberg. All that constitutes at least a significant expression of opinion. I believe that it should cause heart searching on the part of those who find their stewardship under such formidable criticism.

I must also register what might be called the propriety of the debate. Local unions and the National Union of Students derive the bulk of their finance from the taxpayer. They are not, they cannot regard themselves, and they cannot be regarded, as simply private bodies. The words of the Attorney-General's guidance on expenditure by student unions in 1983 underline that point.

I do not believe that it would be wise policy for us, as Members of Parliament who represent the taxpayer, to press the principle of accountability too hard. We may pay the piper, but experience often shows that the piper will play best if he chooses his own tunes. My hon. Friends are right to insist that hon. Members have a proper interest in how several tens of millions of pounds of taxpayers' money is being disbursed by student unions and the NUS.

Having said that, I now advert to some of the difficulties that I consider to be in the way of some courses

of action that have been proposed this evening. With regard to local unions, I remind the House that we are considering organisations that are part of the structure—often the constitutional structure—of institutions—universities and polytechnics—which are autonomous, and whose autonomy all Governments—especially a conservative Government—are bound to respect.

As recently as 1983 the Attorney-General, in his guidance to student unions, to which I have already referred, remarked:

"It is clear . . . that if a college is to function properly, there is a need for the normal range of clubs and societies so as to enable each student to further the development of his abilities, mental and physical. Equally, it is likely that the college will gain from the fact that the students hold meetings to debate matters of common concern and publish some form of campus newspaper. Reasonable expenditure on such purposes is, in the view of the Attorney General, plainly permissible for a Student Union."

That was not only the view of the Attorney-General in 1983; it is embodied in the statutes and charters of many autonomous universities and colleges, each of which has found its own way of giving expression to the view.

The Government feel that Parliament should act to override such a view only when very powerful considerations of public policy are at stake. That is the first difficulty in some of the proposals put forward in the debate.

Another set of difficulties are less of a practical than of a philosophical order. The great principle that has been hovering over the debate is that of freedom of association. This was referred to by my hon. Friend the Member for Hertfordshire, West when he spoke about a moral issue. I think that he is right about that and frankly, that the hon. Member for Leeds, Central (Mr. Fatchett) fell below the level of the debate when he failed to recognise that important dimension of it.

The principle of freedom of association is complex. On one side, it opposes a requirement on an individual to be associated with a body whose activities are abhorrent to him. That was the case made by my hon. Friend the Member for Hertfordshire, West. The other side of the argument is that the principle of freedom of association defends the right of corporate associations to associate freely together, as, for example, a student union will affiliate to the National Union of Students. My hon. Friend the member for Thurrock will acknowledge that he came upon that difficulty when he was framing subsections (3) and (4) of his draft clause, which could appear to permit a local union to purchase services, but would make it unlawful for a national student body or the National Union of Students to be paid to provide such services. That is a somewhat paradoxical limitation of the principle of free contract.

I have alluded to some of the difficulties with which this question is fraught, but I do not intend to stress only the difficulties. It is clear from the debate and from the early-day motion that there is a strong current of concern in the House that focuses particularly on two questions.

The first relates to safeguards for individual students who reject compulsory affiliation, especially to the National Union of Students. The Government must take note of the concern that has been expressed on that point. The second relates to the extent to which student unions, and especially the NUS, distinguish, or fail to distinguish, between services that directly support the position of



[Mr. Robert Jackson]

students as students and their overtly political campaigning. These campaigns are often on matters that are far removed from the interests and concerns, to use the words of my right hon. and learned Friend the Attorney-General, of "students as such" or of their "colleges as such." Hence the concern that has been expressed tonight by my hon. Friends.

There is a case to answer, and the National Union of Students must be allowed to answer it. How thereafter the matter should be taken forward remains to be seen. My right hon. Friend the Secretary of State for Education and Science is conscious of the strength of feeling in the House, as shown by the number of signatures that the early-day motion has attracted. He will therefore wish to make a statement at an appropriate moment. In the meantime, I know that he will want to pay careful attention to all that has been said during the debate.

1.6 am

**Mr. Tim Janman (Thurrock):** This subject has been well covered tonight. The basic principle is that each student should be able to decide whether he or she joins the National Union of Students above and beyond automatic membership of the local students union. It is important to differentiate between the Socialist definition of choice, which is collectivist—that students should be bound by the decision of a student union general meeting—and our more correct definition of choice, which leaves the individual to decide.

The current means of arriving at NUS membership depends upon the taxpayer, by a very tortuous route, funding the organisation rather than those individuals who decide to join it. I shall concentrate on the NUS and

set out a few of the views that are held by that organisation which the taxpayer is funding. Before doing so, it is worth pointing out that my early-day motion was signed by Conservative Members, by three Ulster Democratic Unionist party Members and by one Social Democratic party Member. There was also a supportive amendment to my early-day motion that was signed by six official Ulster Unionist party Members.

The NUS supports the African National Congress in South Africa and SWAPO. It supports the statement that South Africa should be made ungovernable and that its system should be made unworkable. On economic policy, the NUS supports positive discrimination for the working class, women, blacks, other ethnic groups, lesbians and gay men, the disabled, young people and those who are classed as too old to get a job. I am not quite sure who is left out. It supports non-privatised industry and the scrapping of all the Government's trade union laws.

In December 1984 the NUS voted to donate £1,000 to the striking miners. It is encouraging a campaign of civil disobedience against the community charge, a campaign that is to be funded by the taxpayer. The NUS intends to support and pay the legal fees of those students who will not pay the community charge. On defence, the NUS supports CND. On drugs, it supports legalising cannabis. An article in the national student magazine, which is funded to the tune of £24,000 a year by the NUS, gave instructions on how to make "crack"—a particularly virulent form of cocaine—describing the drug as "staggeringly pleasurable", and went on to say that it would

"get you as high as you are ever going to get".

On Ulster, the NUS has never condemned the action of the IRA, and supports British withdrawal and a united Ireland.



ES1-47



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Nicholas Ridley MP  
Secretary of State  
Department of the Environment  
2 Marsham Street  
LONDON SW1 3EB

CCB/WR  
CCB/B  
Prime Minister  
Context, subject  
to the views of  
colleagues?

Yes not

RRLG  
4/3

8 March 1988

Dear Mick,

I believe our officials have been considering further how the LRB might best meet the cost of redundancy compensation and detriment consequent on the abolition of ILEA. As set out in the original papers put to E(EP), our best estimate is that these costs may total up to £50m.

My firm view is that we need to put the LRB in a position to meet these liabilities as a first call on receipts from the sale of County Hall as well as from any other assets available from abolition. This was signalled in the papers on the basis of which E(EP) agreed to the abolition policy. I understand that the LRB had earmarked about £50m for the costs of accommodating ILEA after their forced move from County Hall. I see no reason why the costs of making staff redundant should not be a call on LRB assets in the same way. As total proceeds from the sale of County Hall are very uncertain, the boroughs cannot be relying on receiving any specific amount as a result of the sale.

It seems reasonable to argue that the costs of compensation consequent upon abolition form part of the costs of freeing County Hall and are a necessary price to be paid by all London Boroughs for the proceeds that they will inherit. I can see only two other options. One would be for the compensation payments to be met from a proportion of receipts notionally attributable to the inner London Boroughs alone. This would effectively mean imposing a penalty on the inner London Boroughs, when as you know I believe we need to treat them equitably if we are to be seen to encourage them to take up their new role effectively. The other option would be support from Central Government, but that would be to allow the London Boroughs to make a windfall profit at the expense of the Exchequer.



Presentationally it would be unfortunate if abolition was seen to be "costing" an extra £50m rather than that sum being met out of sale of assets. We shall not know what other ILEA assets can be sold until the boroughs have staked their claims and the LRB have carried out a full property survey, but it is unlikely that sale of these assets will realize a sum of anything like £50m.

I hope that on this basis you will feel able to agree that officials should work up a provision to go into either the Rates Reform Bill or the Education Reform Bill which puts beyond doubt the LRB's powers to meet the costs of redundancy and detriment as I have described.

Copies of this letter go to other members of E(EP) and to Sir Robin Butler.

*Yours ever*

Kenneth





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11/11/68



DD

Note

Told Des no  
No. 10 cash.  
PRCG  
15/2



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

cc BG

PRCG

Ditto

MENT

*[Handwritten signature]*

Seems OK to me.

PRCG 15/2

Paul Gray Esq  
Private Secretary  
10 Downing Street  
London SW1A 2AA

15 February 1988

*Dear Paul*

ILEA: DEBATE ON 17 JANUARY

I attach a draft of the motion for Wednesday's debate which has been approved by my Secretary of State. Subject to any comments which reach me by 4.00pm today we will arrange for it to be tabled this afternoon.

I am copying this letter to the Backers of the Education Reform Bill, the Leader of the House and the Chief Whip.

*Yours*

*Chris de Courcy*

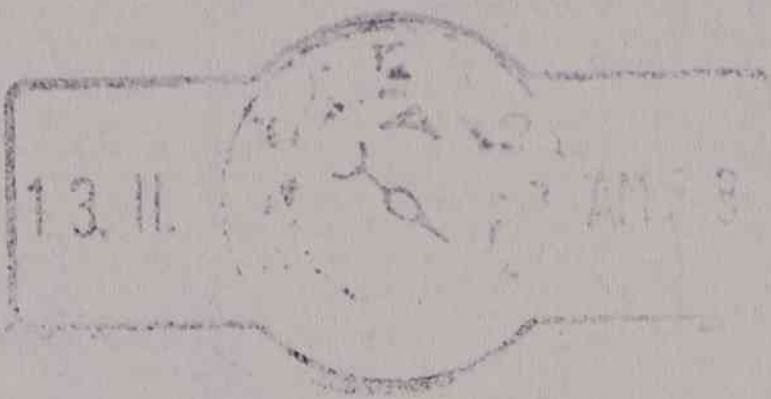
1/ T B JEFFERY  
Private Secretary



DRAFT

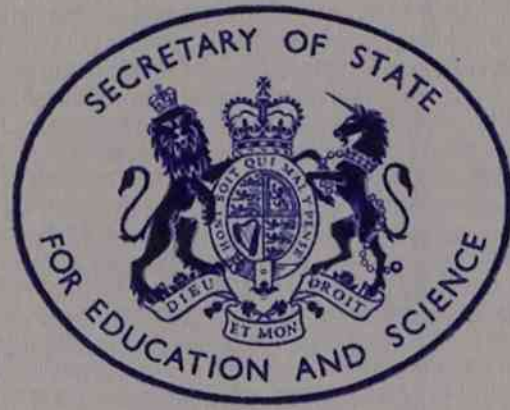
"This House notes that the Inner London Education Authority has combined profligate overspending with a persistent failure to raise standards of education in its schools; recognises the urgent need for improvements; and welcomes the Government's proposals for the transfer of education functions to the inner London councils in 1990 as the best means of building an education service of high quality for the people of inner London."





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ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

Note

Seen by  
Prime Minister  
and approved.

RCC 6  
4/2

Paul Gray Esq  
10 Downing Street  
LONDON  
SW1 2AA

4 February 1988

Dear Paul,

ILEA

I am circulating under cover of this letter a copy of the statement my Secretary of State will be making today. Copies of this letter go to all members of E(EP) and to Sir Robin Butler.

Yours

Chris de Grouchy

C G L DE GROUCHY  
Private Secretary



THE ORGANISATION OF EDUCATION IN INNER LONDON  
STATEMENT BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

1. With permission, Mr Speaker, I wish to make a Statement on the organisation of education in inner London.

2. The Government has consistently maintained that a single education authority for inner London could be justified only if that authority gave the children and students of inner London a good education service at an acceptable cost.

3. Mr Speaker, ILEA has patently not done that. Its spending is profligate; its service is poor. Between 1981 and 1988 its spending increased from about £700m to over £1 billion - while over the same period its pupil numbers have fallen by 15%. It now spends 52% per pupil more than the Outer London Boroughs; 45% more than Manchester; and 83% more than Birmingham: cities with problems comparable to those of London. This increase in expenditure has in no way been reflected in improved pupil performance, which remains disappointingly low. There is now an urgent need for change.

4. ILEA's failure is partly a failure of political will but it is also a product of its unmanageable size. Its administration is cumbersome, excessively costly and too distant from its clients. The Government wants to improve standards of education in London and to bring costs under control. We decided that the way to do this was to enable each inner London council to become the local education authority for its area.

5. Our proposals are incorporated in Part III of the Education Reform Bill. Three boroughs have already stated their intention to apply for LEA status; other boroughs are known to be considering similar action. But as this positive response to our proposals has emerged there has been a growing view that our



objectives would be better achieved by a single, orderly transfer of education functions in Inner London.

6. The Government has reviewed these developments and has concluded that the time is now right to carry through the logic of its proposals in the interests of better standards and of orderly progress. We therefore propose to table amendments to the Education Reform Bill, while it is before the Standing Committee, to wind up ILEA and to secure the transfer of education responsibilities to local councils from 1 April 1990.

7. We propose that the arrangements for transferring functions should follow closely those established at the time of the abolition of the GLC:

- A Staff Commission will be established to facilitate the process of staff transfer. All ILEA teaching and non-teaching staff working at individual schools and colleges will transfer by order to the employment of the Council concerned. Where appropriate, detriment or redundancy compensation will be available on the terms applying at the time of the abolition of the GLC.
- The arrangements for property transfer will be broadly those set out in the Education Reform Bill. It is likely that the London Residuary Body will be employed to deal with assets which cannot be allocated between boroughs.
- The Education Reform Bill already contains certain counter-obstruction safeguards to protect the interest of the local councils which will be assuming education functions. We shall strengthen these safeguards, introducing the same sanctions as were included in the legislation abolishing the Greater London Council and Metropolitan County Councils.



rd<sup>2</sup>  
8. The Government proposes that each local council should be required to publish in 1989 as a basis for local consultation a development plan, setting out the way in which it proposes to organise the transfer of responsibilities and the service it would propose to run. The Government will issue statutory guidance on the subjects to be covered by such development plans, which will provide the basis for property and staff transfer orders.

9. I recognise that some cooperation will be needed between inner London councils for the maintenance of certain aspects of education provision. I hope that in most cases such cooperation will be secured through voluntary arrangements; these might in certain circumstances need to take the form of joint education committees, requiring my approval under existing powers. Were it to become necessary, there are also powers under the Education Act 1944 to enable me to require groups of boroughs to establish joint education committees in respect of particular functions.

10. The Government proposes to maintain rigorous pressure to control ILEA's expenditure over the next two years. We attach paramount importance to improving the quality of education received by inner London's children. They and their parents have a right to something better. The Government's proposals set out the basis for a more cost-effective and responsive education service for inner London.



2 February 1988

cc Bkup.

E(EP) MEETING ON WEDNESDAY, 3 FEBRUARY

There are three items on the agenda for Wednesday's meeting of E(EP). Brian Griffiths has already given you his comments on the higher education provisions of the Education Reform Bill. I discussed the other papers with him before he went to the US and this note reflects his view. We are content with Kenneth Baker's proposals on charging for school activities.

Future of ILEA

This note concentrates on the most important agenda item, the future of ILEA. There is clearly considerable political pressure now for an orderly break-up of ILEA rather than a gradual run-down under opting out. This comes not only from the Government's supporters but also from some opponents who argue that an orderly break-up is a lesser evil than opting out.

Keith Hampson's amendment, reducing to five the number of boroughs that have to opt out before compulsory break up takes place, clearly gives the worst of both worlds. The choice should be therefore be opting out on the present basis and orderly break up.

Arguments in favour of orderly break-up

The argument in favour of break-up is that this will avoid the disruptive effects and uncertainty of opting out. The case must be made that a better and more efficient education service will be provided in those boroughs that do not intend to opt out than would be the case retaining ILEA.



### Arguments against

Kenneth Baker's paper puts several arguments against break up. The one argument of real concern is the possibility that certain boroughs might run a worse education service than ILEA. This is a real danger judging by the record of some boroughs in running other services, such as housing. There will be some safeguards including the national curriculum, the requirement for boroughs to submit development plans in advance and the pressures exerted by the option that will be available to transfer schools to GM status. There is also the precedent of the transfer of education from Middlesex and a number of other counties to the outer London boroughs in 1964.

### Administrative competence

But none of these safeguards really deals adequately with the danger that some of these boroughs will lack administrative competence in running their education services. The problem is not so much a directly political one but the difficulty such boroughs are likely to face in recruiting and retaining able administrators and allowing them to get on with their jobs. Kenneth Baker's paper points to his powers to intervene but it is not clear that they can be effective in dealing with this problem.

---

A partial point of comfort is that in education, administrative competence is perhaps less important than in other services because so much depends on schools whose staff will be transferred en bloc from ILEA. Nevertheless, it is far from clear that we can be satisfied that there will be adequate arrangements to ensure competent administration in all boroughs. Officials should therefore be asked to develop proposals for ensuring that boroughs taking over from the ILEA develop the necessary degree of administrative competence.



Other Points

Other Ministers  
will argue  
for 1990.  
R216.

As to the other points in Kenneth Baker's paper, we agree that 1 April 1991 is the preferable date for transfer - even for those boroughs already planning to opt out. We also agree with the other mechanical arrangements for transfer. Of particular importance is continued precept control of ILEA. Excess spending after opting out will bear particularly heavily on the poorer boroughs who have more children per adult on average than boroughs like Westminster and Kensington and Chelsea who automatically gain from opting out, even before making efficiency savings.

Conclusion

Kenneth Baker's proposal for dismantling ILEA are attractive in principle and we support them. But more thought needs to be given to how we can ensure that those boroughs with a poor administrative track record develop sufficient administrative competence to run a better education service than ILEA.

Peter Stredder

PETER STREDDER



E. R.

PRIME MINISTER

MEETING OF E(EP), WEDNESDAY 3 FEBRUARY

You have already seen all the papers except one - the Policy Unit note on ILEA under item 3.

I gather from Mr. Baker this afternoon that he is very keen to go ahead with an announcement on Thursday.

On handling, the meeting is scheduled for one hour. You will presumably want to spend most of the time on ILEA so you might aim to get the first two items - for which the issues are less difficult - out of the way quickly.

Recg.

(PAUL GRAY)

2 February 1988



## POLICY UNIT COMMENTS

with the law and place him or her self on the Community Charge register in any case or will not, and the taxpayer will be financing him or her to meet a liability he or she hopes to evade. Evasion may be particularly attractive to the young, single and highly mobile because it will be difficult for local authorities to ensure they are included in the register.

Second, Nicholas Ridley proposes that there should be provision for direct deductions from benefit where income support recipients fall into arrears on the 20% of benefit for which they themselves are liable. This parallels the powers that will be available to make attachments of earnings for Community Charge payers in work who fall into arrears.

We agree that the attachment of benefits is the most practical way of recovering arrears for individuals with few personal possessions.

### ILEA: Measures to Reduce Overmanning

Third is Kenneth Baker's paper recommending that the Government should not renew the power to control ILEA manpower levels when it expires on 1 April 1989. He argues that controls on ILEA's expenditure through precept limitation are more likely to be successful. We support this conclusion for the reasons set out in the paper.

### Conclusion

We support the recommendations in each of the papers for next Thursday's E(LF).

Peter Stredder

PETER STREDDER



CONFIDENTIAL

P 02996

PRIME MINISTER

THE ORGANISATION OF EDUCATION IN INNER LONDON  
E(EP)(88)3

DECISIONS

Mr Baker seeks agreement to amend the Education Reform Bill to effect the outright abolition of the ILEA from 1 April 1991.

2. The main arguments for and against abolition in principle are political. But Mr Baker's paper sets out a long list of detailed proposals in paragraphs 14, 15 and 16 which you may wish to check through. In particular:

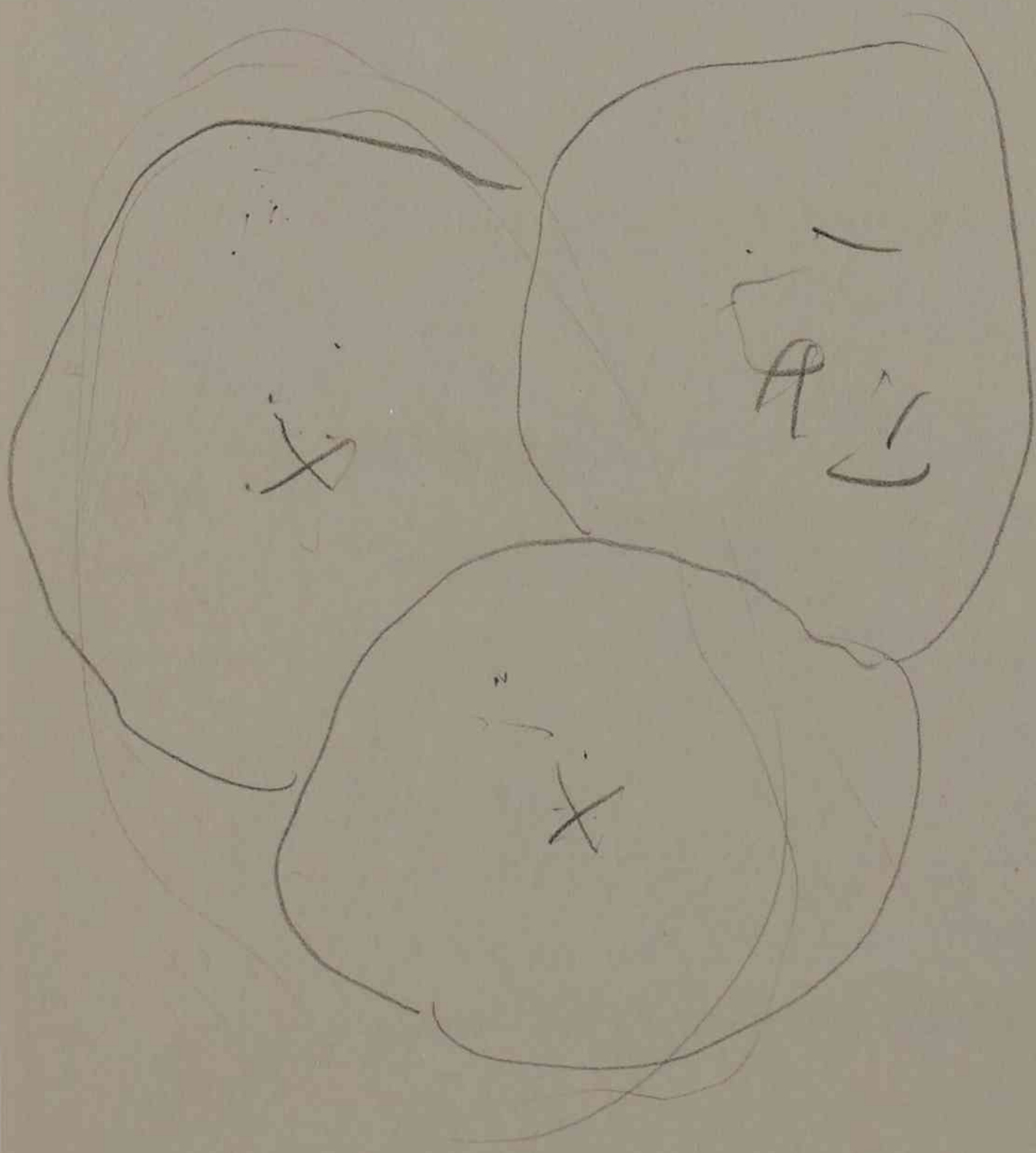
- i. the implications for the quality of education in inner London. Are all the boroughs viable education authorities or will there need to be joint working in some form?
- ii. the timetable. Is 1991 really the earliest practicable date for abolition? Would it be wiser to aim for April 1990, if only because of the risk of ILEA disintegrating in the meantime?
- iii. the implications for community charge levels in inner London;
- iv. the procedure for abolition. A key issue is whether the boroughs should be asked to prepare development plans;
- v. the administrative arrangements including staff transfers, staff redundancies and the creation of a small Staff Commission. The costs of redundancies (up to £45m) and 'detriment compensation' (£4m in 1991-92) are to be met through the sale of assets or, failing that, through a precept on boroughs. Is the implication that the exercise will be cost-neutral in public expenditure terms?

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COPIED FROM ORIGINAL





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Finally you will need to decide whether an announcement should be made immediately, as Mr Baker proposes, or whether further work is necessary.

#### BACKGROUND

3. The 1987 Conservative Manifesto promised to give each inner London borough a new right to opt out of the ILEA and become the LEA for their area. On 28 September E(EP) agreed a proposal from Mr Baker to take a reserve power to abolish the ILEA if eight or more boroughs opted out, leaving a rump of five or fewer in the authority. These provisions form part III of the Education Reform Bill.

4. Mr Baker's paper sets out the mounting pressure against the opting out scheme:

i. from Conservative MPs, who would prefer either outright abolition of the ILEA, or a much lower threshold for abolition;

ii. from those who support the ILEA, but nevertheless argue that abolition would be preferable to a lingering death.

#### MAIN ISSUES

5. There is clearly much to be said for bowing to these pressures, and moving straight to outright abolition. It would remove the political problems posed by the ILEA's existence once and for all whereas opting out is a slow and uncertain route to getting rid of the Authority. But there would be political costs, which Mr Baker sets out. The Government would be accused of indecision; of ignoring the views of parents in inner London; of making a major change of policy without consultation; and of putting education into the hands of boroughs like Lambeth, Hackney and Southwark. Mr Baker says there may be 'particular resistance' in the Lords to departing from the Manifesto. You will want to consider whether the political advantages of abolition outweigh the costs.

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Implications for the quality of education

6. Mr Baker's paper says little about the implications of abolition for the quality of education in inner London. There is a risk that it will suffer, and the Government take the blame. For boroughs who would have opted out in any case, abolition should make no difference. But some of the other boroughs would be small LEAs, and have records that inspired no confidence. You may wish to press Mr Baker on the implications of his proposal for the quality of education in inner London.

7. Mr Baker says that boroughs will be able to form joint education boards voluntarily. He also says he will in the last resort have powers to impose joint working, although the implication is that he will await the boroughs' own proposals. Should the Government itself consider the form joint arrangements should take and be ready to take the initiative in proposing them?

Timetable for abolition

8. Mr Baker says that the earliest reasonable date for abolition is 1991. That will be at least 2 1/2 years after the Bill receives Royal Assent, much longer than any of the precedents he quotes. It may be true that a long period between enactment and abolition will improve the chances of proper planning by the boroughs. It may also allow them to concentrate on introducing the community charge in 1990, and taking on education in 1991. But there is a substantial risk in keeping ILEA in being for that period. On the worst scenario it might simply collapse under the combined weight of precept limitation and of staff drifting away or becoming demoralised as abolition approached. It may also mount a campaign of obstruction, or take irresponsible decisions during a long interregnum. The date of 1991 would also mean ILEA operating under the new community charge regime for one year (possibly with unwelcome consequences for the charge in the Conservative Boroughs) and would require contentious legislation to cancel the ILEA election due in 1990. You may therefore want to ask whether abolition could not take place in 1990.

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### Implications for the Education Reform Bill

9. It is not clear how substantial the necessary provisions in the Bill will be. It may be possible to build on what is already in the Bill; or it may be necessary to include substantial new provisions rather than relying on order-making powers now that abolition is a substantive rather than a reserve option. Resistance in the Lords to abolition could also affect the timetable. You will want to be assured that the changes will not jeopardise the timetable for the Bill.

### Financial implications for the boroughs

10. Inner London will have the highest community charge levels even without abolition. The position may be made even worse if:

- ILEA's costs fall unevenly between boroughs. Mr Baker says that Hackney and Tower Hamlets will suffer more from continued overspending than Westminster or Kensington and Chelsea because they have more children per adult;
- there are transitional costs. Mr Baker says there will be pressure to allow the boroughs some resources for preparing to take over education responsibilities.

You may want to ask Mr Baker to commission urgent work on the financial implications of abolition, and the effect on community charge payers.

### Procedure for abolition: development plans

11. Annex A to the paper covers a number of detailed proposals on the arrangements for abolition. Most follow what was agreed for opting out, or the precedent of GLC abolition. But Mr Ridley may question the proposal that each inner borough should have to produce a development plan for their future education service before the 1990 elections. He believes there are risks: the development plan could be used by hostile councils as an opportunity to drum up political opposition to abolition; and the Secretary of State might be put in an impossible position when

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asked to comment on development plans which are clearly inadequate or over-ambitious. Conversely, if plans are to be prepared, should not Mr Baker's approval - as opposed to guidance - be required for them to put his powers beyond doubt? You may wish the Sub-Committee<sup>to</sup> consider this proposal.

12. Some of Mr Baker's other proposals for transfer may well prove controversial. They include cancelling the 1990 ILEA elections and extending the terms of existing Members; and introducing the penalties of disqualification and surcharge in relation to improper action.

#### Staff transfer

13. Mr Baker proposes block transfer of ILEA staff linked to particular institutions (60,000 out of the present 70,000). For the remainder, he proposes to set up a Staff Commission which will 'encourage authorities to recruit first from the staff of ILEA'. Such an arrangement apparently worked well after the GLC was abolished but you will note that Mr Baker says that the Conservative boroughs would have preferred to have no special preference for staff not covered by block transfer.

#### Timing of announcement

14. Mr Baker wishes to make an announcement on Thursday 4 February, the day after your meeting. He argues that it is necessary to clarify the Government's position before the debate on the ILEA precept limit on Wednesday 10 February. This is understandable but if you felt it essential for more work to be done, you might wish to explore whether it would be possible to leave the announcement until amendments have to be tabled in Committee, on the present timetable, 19 February. Mr Baker may say that this would cause a row in Parliament.

#### VIEWS OF OTHER MINISTERS

15. The Environment Secretary is likely to support the outright abolition of ILEA, for which he argued earlier. He is also likely to be keen to go for 1990 rather than 1991 (although he may concede

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that the introduction of the community charge will already put substantial pressures on the boroughs in 1990). He will be concerned about the financial effects, and he may also express doubts about the wisdom of asking the boroughs to prepare development plans for education. The Paymaster General is also likely to favour abolition. He too will be concerned about the financial implications, and will press for assurances that any transitional costs will be met by the boroughs and not by the Exchequer.

**HANDLING**

16. You will want to ask the Education Secretary to introduce his Memorandum. The Environment Secretary and the Paymaster General will wish to comment. You may want to seek the views of the business managers about the implications for the Education Reform Bill.



R T J WILSON  
Cabinet Office  
29 January 1988

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cc BOP

P 02992

PRIME MINISTER

ILEA: MEASURES TO REDUCE OVERMANNING

[E(LF)(88)2]

DECISIONS

The Secretary of State for Education seeks a decision on whether to take new powers to control overmanning in ILEA from 1989/90. New powers could take one of two forms:

i. renewal of existing manpower controls under the Local Government Act 1985. This would allow the Government to enforce specific reductions in manpower;

or ii. a new power to prevent ILEA recruiting new staff except with the consent of the Education Secretary. This would allow the Government to enforce savings through natural wastage.

2. Mr Baker is opposed to both. He argues strongly against the first option of renewing the existing powers, principally on the ground that their use would conflict with precept limitation and lay him open to successful legal challenge. E(LF) earlier accepted these arguments in relation to 1988/89 (E(LF)(87)23rd Meeting, Item 3). Mr Baker also resists the second option of taking powers to control recruitment, but you may think that of the two options it is the more promising one. The basic question however is whether new powers are needed at all. The answer will depend in part on your decision at E(EP) on 3 February about the future of ILEA, and also on whether you believe that you can safely rely on precept limitation alone to achieve what is needed.

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BACKGROUND

3. E(LF) last discussed measures to reduce overmanning in ILEA on 3 November (E(LF)(87)23rd Meeting). On that occasion you accepted that no attempt should be made to control the ILEA's manpower in 1988/89. But you felt that the position might be different in later years, and asked Mr Baker to bring forward a new paper discussing the possibility of controlling ILEA's manpower from 1989/90 onwards. The existing power, which was taken as a transitional measure in relation to the abolition of the GLC, expires at the end of March 1989. You therefore asked Mr Baker to consider the possibility of renewing the power. Since it currently applies also to the police, fire and transport joint boards in Metropolitan areas, you asked him to consult the Home Secretary and the Transport Secretary. But you also asked him to consider a simpler approach, namely to prevent ILEA from taking on new staff without the agreement of the Secretary of State.

MAIN ISSUES

Renewal of Existing Power

4. Mr Baker's main arguments against renewing the powers for direct manpower control are that ;

a. they would add nothing to what could be achieved through precept limitations. The figures he gives suggest that the ILEA is planning cuts of around 10 per cent in staff levels this year. That is double the level which Mr Baker earlier thought could be imposed through a manpower control;

b. the precept limit can be used to impose conditions on manpower. ILEA's expenditure level (EL) was increased by £15 million for 1988/89 subject to the condition that this money can be used only for redundancies;

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c. trying to operate precept limitation and a manpower control together was likely to give the ILEA substantial scope for a successful legal challenge.

5. These arguments, and particularly the final point about legal challenge, persuaded E(LF) on 3 November not to pursue the possibility of manpower controls for 1988/89. The progress of the precept limitation process for 1988/89 since that meeting appears to strengthen Mr Baker's case, although it is too early to predict what the final outcome will be. You may therefore wish to agree that this first option, of renewing the existing power to control manpower, should not be pursued.

#### A New Power to Control Recruitment

6. Mr Baker opposes this second option as well. His main arguments are that:

a. it would draw the DES into detailed consideration of the staffing of the ILEA's 1,000 institutions, a task for which it does not have the resources;

b. it is better to use the pressure of precept control to enforce overall reductions in staffing, leaving the industrial relations and management implications for ILEA to deal with.

7. The strength of these arguments will depend in part on the decisions you take at E(EP) on 3 February about the future of the ILEA. If the authority is to remain in being for a considerable number of years, albeit subject to opting out by a minority of the inner London boroughs, then it might be best to rely on precept limitation, the community charge and community charge capping to enforce staff reductions. But if you agree to Mr Baker's latest proposal to abolish ILEA completely by 1 April 1991 at the latest, you may wish to discuss whether a power to control recruitment is needed as a transitional measure. It could be used to prevent the

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authority recruiting staff in its last one or two years who would subsequently become a burden on the boroughs when abolition takes place, either as surplus members of staff or through redundancy costs. On the other hand, no such power was taken in the context of abolition of the GLC and the Metropolitan County Councils, and it would be possible to rely solely on precept limitation even if ILEA is to be abolished.

#### Police, Fire and Passenger Transport Joint Boards

8. The existing power to control manpower extends to the police, fire and transport joint boards established when the GLC and Metropolitan County Councils were abolished. If you were to decide that the existing manpower controls should be renewed, you would need to decide whether it should be for ILEA alone (which might be more controversial) or for the joint boards also (which Mr Hurd and Mr Channon would oppose). However, if manpower controls are to be pursued at all, the new power to control recruitment seems to be the more promising option, and that would clearly relate to the ILEA alone.

#### VIEWS OF OTHER MINISTERS

9. We understand that the Chief Secretary, Treasury is likely to accept that there is no case for renewing the existing manpower controls if ILEA is to be abolished outright from 1990 or 1991. The Environment Secretary has pressed strongly for manpower controls in the past, partly to ease the transition to the community charge in 1990. It is possible that he may now however accept that precept limitation is likely to achieve as much as manpower control over the next two years, and that if the ILEA is to be abolished, manpower controls are unnecessary.

#### HANDLING

10. You will want to ask the Education Secretary to introduce his paper. You may then wish to invite the Environment Secretary and the Chief Secretary, Treasury to comment, to sound them out and see

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how far their views have been affected by the decision on the abolition of ILEA. The Home Secretary and the Transport Secretary may wish to comment if the issue of renewing existing manpower controls for the joint boards is discussed.



R T J WILSON  
Cabinet Office  
29 January 1988

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*MSM*  
*ALC*  
*19/1*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

28<sup>th</sup> January 1988

*Dear Secretary of State,*

**ILEA: PRECEPT MAXIMUM FOR 1988-89**

*attached*

Thank you for your letters of 25 and ~~27~~ 27 January. We discussed with Nicholas Ridley, in the margins of Cabinet this morning the proposal in your 27 January letter to increase ILEA's 1988-89 precept maximum from 80.56p to 82.64p in order to allow it to raise a further £25 million.

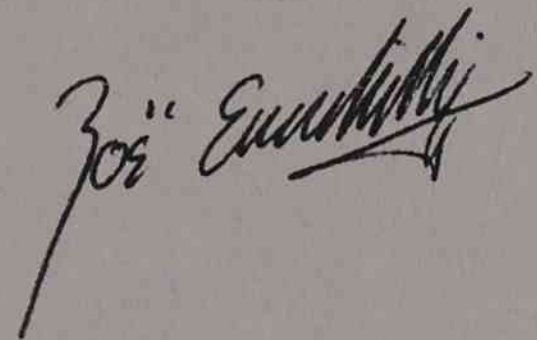
I agree that we must take seriously Howard Davies' judgement about the feasibility of ILEA's achieving the level of reductions in expenditure implied by your original proposal in a single year. I welcome your firm line that ILEA should nonetheless be required to make more stringent cuts than it has so far offered. But as I explained this morning, I was not able to agree to your increasing the precept maximum by the full amount you propose for two reasons. First, there is evidence of scope for ILEA to raise significant amounts from sales of surplus assets, on which its record to date has been very bad. I believe we can reasonably look to it to exploit some of that scope. Second, as I mentioned this morning, an increase now in the precept maximum would technically go to increase reserves. I am concerned about the read-across to the rate maxima for selectively rate-capped authorities. To increase ILEA's precept maximum by the full amount you propose might lead to challenge, including in the courts, by those other authorities on grounds of inconsistent treatment. We therefore agreed that the most we could accept would be an increase of 1.24p to 81.80p, which would yield increased precept income of £15 million.



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I am copying this letter to the Prime Minister, other members of E(LA), to the Attorney General and to Sir Robin Butler.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John Major". The signature is written in a cursive style with a prominent initial "J".

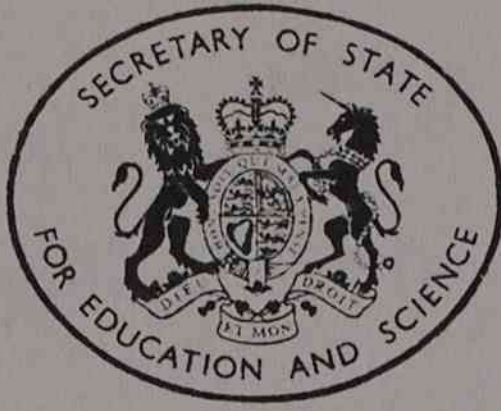
JJ JOHN MAJOR

(Approved by the Chief Secretary  
and signed in his absence)



Prime Minister

Mr. Baker will be putting a proposal to you on ILEA later this week. Meanwhile you might like to be aware of this proposed easing of the precept which Mr. Baker sees as necessary to prepare the ground. I gather the Chief Secretary might haggle on the precise figures, but that an amicable settlement is likely to be reached tomorrow.



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1

BRCC

22/1

Law Dhm

**ILEA: PRECEPT MAXIMUM FOR 1988-89**

We spoke about ILEA's precept maximum for 1988-89. My officials have also been in touch with yours and with Nicholas Ridley's.

I explained that since I wrote to you on this subject on 25 January, I have had discussions with Howard Davies, the Controller of Audit of the Audit Commission, about the practicability of the precept maximum which I have proposed. His judgement is that the Authority could go further than it has said is feasible towards cutting its spending in 1988-89, and could achieve the scale of reductions proposed if it had more than a single year to do so. However, he put it to me that ILEA cannot achieve the level of reductions implied by the proposed precept maximum in a single year. It is his view that if we drive through the proposed precept maximum, the Authority could end up in complete financial disarray in 1988-89. I believe that we must take this advice very seriously. It stems not only from the Audit Commission's wide experience of how to achieve greater efficiency and economy in local authority services but also from feedback from auditors working in ILEA.

I have therefore looked again at the position I outlined in my letter. My estimate of the savings which ILEA would be forced to make in 1988-89 on a precept of 80.56p is £120m, £24m below the Authority's estimate. I believe that we should maintain that £24m squeeze on their baseline. The Authority has said that it could at most achieve savings of £65.5m. It has suggested that it would also draw down its balances by £5m. On my estimate, that would leave £25m of reserves at the end of 1988-89. The

Note

During the course of today Mr. Baker agreed with the Chief Secretary and Sir Ennals a precept increase of £15m. rather than £25m. Having consulted Des I told the P.M. this would add, on average, 0.7% to London borough rates. She was content with this, and I then told Tom Toffey (DfES) they were free to proceed.

BRCC 28/1

27 January 1988

How much more is there on London borough rates?



measures the Authority envisages to deliver savings of this order are not trivial. They include the loss of some 6,000 staff - 1,500 through redundancy - as well as very substantial cuts in many non-staffing areas such as maintenance, capitation and awards and substantial rises in charges. Strong political will and firm management will be needed.

The Authority's package nevertheless falls £50m short of the level of reductions implied by the precept. It is this grey area which is of concern to the Audit Commission. I am reasonably confident that the Authority could go part of the way to closing this gap by making more stringent savings. The ILEA Conservatives have suggested that another £15m of savings are achievable. I believe that they can reasonably be expected to achieve a further £25m: up to £10m through leaving more than 1 in 3 teaching vacancies unfilled; up to £5m from further redundancies; and £10m from imposing deeper cuts on non-staff spending.

My discussions with the Audit Commission have persuaded me that I should not rely on the feasibility of savings beyond this point. Nor do I think I can assume further drawing down of estimated reserves.

The financial collapse of ILEA would be profoundly damaging to our developing policies for education in inner London. In the light of Howard Davies' advice, I have come to the view that we should revise the precept maximum of 80.56p which I originally proposed to allow the Authority to raise a further £25m. This would I think be sufficient to provide the necessary insurance against the possibility of collapse in 1988-89, but would still ensure that the Authority was forced to make substantial savings. It would technically go to increase their reserves but the expectation would be that they would use it to bridge the gap between savings and the expenditure level. On this basis, the precept maximum would be 82.64p, 3.6% higher than the 1987-88 maximum, and the implied cut against my estimate of ILEA's baseline would be 9% rather than 11%. I believe that no education authority has ever achieved an 11% year on year cut.

I would be grateful for agreement from you and colleagues that I should go ahead on this basis. Under the normal conventions of the House, I would need to lay a draft Order prescribing the precept by Friday 29 January. I understand that Douglas Hurd and Paul Channon are working to the same timetable as regards the precept limits for which they are responsible. I think that it would be presentationally difficult to delay laying the ILEA Order. If you agree to my proposals, I would intend to notify ILEA of my decision on Friday morning and invite them to agree the new maximum, although I doubt if they will decide to do so. With apologies for the short deadline, I hope that you and others will let me have a response by close of play tomorrow, Thursday 28 January.



I am copying this letter to members of E(LA), to the Attorney General and to Sir Robin Butler.

*[Handwritten signature]*

*[Handwritten signature]*



10-10-11





NJ2BVK

mtg recod



| SUBJECT OR MASTER

10 DOWNING STREET

LONDON SW1A 2AA

15 January 1988

*From the Private Secretary*

FUTURE OF ILEA

Your Secretary of State came to see the Prime Minister yesterday to discuss the handling of the backbench amendment to Clause 115 of the Education Reform Bill. He considered that this particular amendment would not be appropriate because it would lead to enormous pressures on the fifth borough considering opting out. But he wished to take the Prime Minister's mind on whether she would support an alternative means of winding-down ILEA. Any such move would need to be handled with delicacy as it would involve a significant shift from the proposals set out in the Manifesto. But he was conscious that several key individuals were leaving ILEA given the uncertainty over its future.

The Prime Minister said that she did see attractions in speeding up the process as long as this could be achieved with widespread support. It would be important to prepare the ground by stimulating support for this approach from sources other than the Government backbenches. She would also be concerned to ensure that in the Labour controlled boroughs there was scope for control of the schools to pass into the hands of bodies such as educational trusts. And the process of breaking up ILEA would have to be managed in an orderly way.

BE || The Prime Minister invited your Secretary of State to consider the possibilities further and to put to her an early proposal on the way forward.

Paul Gray

Tom Jeffery, Esq.,  
Department of Education and Science.



1645 here - today  

---

14/1

PRIME MINISTER

ILEA

Mr. Baker's office rang this evening to say he would like to have a word with you. Conservative backbenchers have put down an abolition amendment in Committee. Mr. Baker wants to discuss the handling of it with you. I have told his office you have a busy day.

Would you like us to arrange a 10-minute slot?

*Yes please*

*PGC*

PAUL GRAY

13 January 1988

SLHARN



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CCBG



PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

7 December 1987

Dear Kenneth

NBM

ILEA: APPLICATION FOR REDETERMINATION OF  
1988/89 EXPENDITURE LEVEL

You wrote to me on 1 December seeking E(LA)'s agreement to redetermine ILEA's 1988/89 Expenditure Level at £970m.

You will have seen from her Private Secretary's letter that the Prime Minister is content. Nicholas Ridley and John Major have also written signifying their agreement subject to confirmation (which I understand you have given) of three points raised by Nicholas about satisfactorily ring fencing the extra money. No other colleague has commented and you may take it therefore that you have E(LA)'s agreement to proceed as you propose.

I am sending a copy of this letter to the Prime Minister, the members of E(LA), the Attorney General and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "John Major".

The Rt Hon Kenneth Baker MP

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EDUCATION: ILCA P 5





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CC BG



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
 Secretary of State for Education and Science  
 Department of Education and Science  
 Elizabeth House  
 York Road  
 London  
 SE1 7PH

NBM

4 December 1987

*Dear Secretary of State,*

**ILEA: APPLICATION FOR REDETERMINATION OF 1988-89  
 EXPENDITURE LEVEL**

Your letter of 1 December to Willie Whitelaw sought agreement to redetermine ILEA's 1988-89 EL at £970 million, but to earmark the proposed addition of £15 million above the initial EL specifically to meet the costs of redundancies. I have also seen the letter of 3 December from Nicholas Ridley and from No.10.

I too welcome the robust line you have taken in proposing to stand by the reduction in ILEA's expenditure implied by the EL for 1988-89 set in July. I believe that your intention to earmark the proposed £15 million addition to that initial EL specifically for redundancies represents the best means now available to us to achieve reductions in ILEA's manpower next year. On that basis, and subject to the further condition proposed by Nicholas that the addition should form no part of the starting point for determining ILEA's 1989-90 EL, I am content with your proposal.

I am copying this letter to the Prime Minister, Willie Whitelaw, other members of E(LA), Patrick Mayhew and to Sir Robert Armstrong.

*Yours sincerely,*

*John Major*

PP JOHN MAJOR

(Approved by the Chief Secretary +  
 signed in his absence).



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file SKW  
bc: B9

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

3 December 1987

*Dear Chris,*

**ILEA: APPLICATION FOR REDETERMINATION OF  
1988-89 EXPENDITURE LEVEL**

The Prime Minister has seen your Secretary of State's letter of 1 December to the Lord President about the expenditure level for the ILEA in 1988-89, and is content, subject to the views of colleagues, with the way he proposes to proceed.

I am copying this letter to the Private Secretaries to members of E(LA), the Attorney General, the Lord President and Sir Robert Armstrong.

*Jan,*  
*David*

(DAVID NORGRIVE)

Chris de Grouchy, Esq.,  
Department of Education and Science.

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*DTS*



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cc BG

ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Viscount Whitelaw PC CH MC  
Lord President of the Council  
Privy Council Office  
68 Whitehall  
London SW1

1 December 1987

Prime Minister #1

Content, subject to colleagues?

Jan Miller

Yes no

DES  
2/12

ILEA: Application for redetermination of 1988-89 Expenditure Level

We agreed in July to determine the Expenditure Level for the ILEA for 1988-89 at £955m. This represented a cash standstill on the implied EL for 1987-88 plus an allowance for the follow-through of the teachers' pay settlement in 1987-88. On 16 October ILEA submitted an application for redetermination of the EL for 1988-89 at £1,118m and on 20 November they submitted additional material estimating their requirement at £1,133m, implying increases in the EL of £163m and £178m respectively. Among the additional material was a plan for the achievement of a 15% reduction in expenditure over the three years from 1988-89 to 1990-91.

I have considered all the material that the ILEA have submitted and I had a meeting with their representatives yesterday afternoon. The announced EL represents a one-year cut of about 11% on our reckoning of a realistic baseline for 1988-89, and about 16% on ILEA's own calculations. The squeeze is slightly more than we anticipated in July given the revision of the GDP forecast for 1988-89 from 4% to 4.5%. This is a larger one-year reduction than any other education authority has ever achieved. On the basis of our assessment, it will mean about 4,500 redundancies including premature retirements associated with redundancy on top of about 5,000 staff savings through natural wastage, which assumes that 2 out of every 3 posts becoming vacant will not be filled. Even allowing for present generous staffing levels, this is bound to raise problems for schools and colleges but in my view the impact could be contained through firm management, selective redundancies and effective redeployment. In practice however we must recognise that there may well be some disruption and dislocation of services, including

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widespread industrial action, which ILEA and others will blame on Government. ILEA may also seek to make immediate cuts in what they consider to be the politically most embarrassing areas such as adult education or the polytechnic sector, which is to be removed from their control in 1989-90. Nonetheless I have concluded that nothing in the material put to me and representations made to me by ILEA, or any other relevant matters, should lead me to the view that the EL is unreasonable or that I should redetermine the EL so as to mitigate the rate of reduction implied.

Wouldn't cuts in schools be more difficult for the Government?

It is highly likely that ILEA will seek judicial review of my decision on the grounds that it is unreasonable to expect them to make the cut implied by the EL in one year. There is one matter on which I believe I need to act both on the merits of the case and to buttress my position in any legal challenge. As I have said, the ILEA are likely to have to make redundancies to manage the reduction. The authority have implicitly recognised this in their application for redetermination. The EL is at the limit of what is practicable but we have made no provision for the cost of redundancies. In my view, supported by advice from Counsel, that could be judged to be unreasonable. My assessment is that ILEA would need to make redundancies costing up to £25m to meet the EL. By implementing stringent economies elsewhere it might be possible to limit the redundancy bill to £15m. I believe I must at least allow for that minimum figure. I would however want to ensure that this addition could only be spent on covering the cost of compensation for redundancies, including premature retirement for reason of redundancy. Hence I intend to place a requirement to that effect under Section 3(6) of the Rates Act 1984 and would, as advised by Counsel, consult ILEA on this intention. A draft of the notice I would serve on ILEA and the letter of consultation is attached.

On the latest estimate of penny rate products in inner London in 1988-89, supplied to the Home Office by the rating authorities, a precept maximum of 80.29p would be needed to finance an EL of £955m plus £15m for redundancies. This would be 0.6p or 0.7% above the 1987-88 maximum precept of 79.73p, as against the 94p or 18% implied by the highest ILEA estimate of spending at £1,133m.

I would be grateful for the agreement of you and other colleagues

- (1) that we stand by the reduction in expenditure implied by the EL for 1988-89 set in July;
- (2) that I redetermine that level at a figure £15m higher but place a requirement on ILEA that the addition may only be used to help to pay for redundancies;
- (3) that I propose a precept maximum of 80.29p.

I am sure it is right to take the toughest possible line with

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ILEA and I believe my proposals represent the maximum possible one-year cut that could be deemed reasonable.

It would be helpful to have your agreement by close of play on Thursday of this week. I would then intend to write to the Authority early next week setting out my intention to place a requirement and giving them a few days to comment.

I am copying this to other members of E(LA), to the Attorney General, and to Sir Robert Armstrong.

*Johnson*  
*Armstrong*

**CONFIDENTIAL**



DRAFT PROPOSED LETTER FROM THE PRINCIPAL FINANCE OFFICER OF THE  
DES TO THE CLERK TO THE ILEA

Having considered your letters of 16 October 1987 and 20 November 1987 and heard representations from ILEA members, the Secretary of State is minded to re-determine the expenditure level for the ILEA for 1988-89 at £970m, being £15m more than that originally notified. He is minded to impose upon the ILEA a requirement that the additional £15m shall be used only for the purpose of meeting obligations of the ILEA towards persons who retire prematurely or are dismissed by them, in each case for reasons of redundancy. This increase for this purpose should assist the ILEA in meeting the scale of financial savings which the ILEA need to achieve within a short timescale (paragraph 8 of Appendix 2 "Large reductions in expenditure in 1988-89" attached to your letter of 20 November). I attach a draft notice which the Secretary of State is minded to serve on the Authority accordingly.

However, before he takes any final decision on the imposition of such a requirement, the Secretary of State wishes to take account of any representations the ILEA may wish to make. Any such representations - relating either to the substance of the decision or to the terms of the notice - should be addressed to me and must reach me by [a date 7 days later].



DRAFT

RATES ACT 1984: SECTION 3(5) AND SECTION 3(6)

NOTICE OF THE RE-DETERMINATION OF AN EXPENDITURE LEVEL AND OF THE IMPOSITION OF AN ASSOCIATED REQUIREMENT

To the Inner London Education Authority

WHEREAS -

(1) The Secretary of State for Education and Science has considered the application made by the Authority under Section 3(4) of the Rates Act 1984 ("the Act") for a re-determination of the level of total expenditure for the Inner London Education Authority for the financial year beginning on 1 April 1988. He has considered the information submitted with the Authority's application, the additional information furnished by the Authority, the representations made by members of the Authority and such other matters as he thought relevant; and has had regard to the extent to which the Authority's proposed expenditure was to consist of contributions to charities registered, or excepted from registration, under section 4 of the Charities Act 1960; and

(2) following such consideration, the Secretary of State has decided to redetermine the said level at a greater amount and to impose on the Authority the undermentioned requirement.

NOW, therefore, in accordance with section 3(8) of the Act, notice is hereby given as follows:

1 In exercise of the power conferred by section 3(5) of the Act, the Secretary of State has redetermined the level for your total expenditure for the financial year beginning on 1 April 1988 at the greater amount of £970 million.

2 In exercise of the power conferred by section 3(6) of the Act, the Secretary of State has imposed on you the following requirement:

That an amount of not less than £15 million out of revenue arising for the year ending 31 March 1989 shall be set aside and

-  
a) used to meet obligations of the Inner London Education Authority towards any employee dismissed by them by reason of redundancy or in the interests of the effective discharge of the Authority's functions in the year ending 31 March 1989 to pay to that employee:-



- i) Any redundancy payment to which he is entitled under the Employment Protection (Consolidation) Act 1978.
- ii) Any [lump sum] compensation to which he is entitled under the Teacher's (Compensation for Redundancy and Premature Retirement) Regulations 1985.
- iii) Any [lump sum] compensation to which he is entitled under [appropriate provision in relation to non-teaching staff].

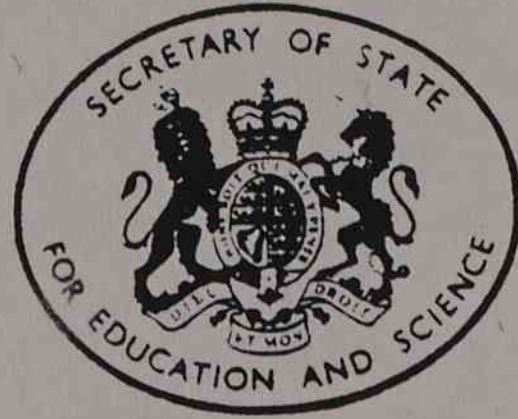
b) in so far as this amount is not used by the Authority for the purpose referred to in paragraph (a) above it shall be used to meet the obligations there described in relation to employees who may be dismissed by the Authority for either of the grounds there described in the year ending 31 March 1990; and

c) in so far as it is still not used by the Authority for the said purpose it shall be transferred to the general reserve of the Authority and carried forward to the next accounting period of the Authority.









ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

cc 86

NRM

**CONFIDENTIAL**

The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment  
2 Marsham Street  
LONDON SW1P 3EB

16 November 1987

*S. M. H.*

**INNER LONDON EDUCATION**

*at 11:45*

Thank you for your letter of 5 November, commenting on my minute of 3 November to the Prime Minister.

My reasons for deciding against a statutory Staff Commission were twofold. First, we would be setting up a body of uncertain lifespan, as our provisions enable boroughs to apply to opt out of ILEA at any time in the future, unless the point is reached where it becomes possible and appropriate finally to abolish the Authority. Second, this body would not have the clear and substantial role fulfilled by previous Staff Commissions. The London and Metropolitan Government Staff Commission spent a great deal of its time establishing, monitoring and handling complaints about the ring fence arrangements for GLC and MCC staff. We have agreed in this instance that there should not be a ring fence arrangement, only that ILEA staff should be considered alongside other applicants. The tasks we had considered for an 'ILEA' Staff Commission included the provision of advice on block transfer arrangements, advice to boroughs on the requirement to give fair consideration to ILEA staff and assistance if we reach the point of abolishing ILEA. None of these would provide a full-time task, and none of those commenting on our consultative paper were able to suggest a clear role for a Commission. I am reluctant to establish a statutory 'quango' without a clear remit; particularly when doing so would certainly carry the risk that the Commission itself would indulge in public criticism of the Government's policy of opting out.

I accordingly concluded against a statutory body, although I do not discount what you say about the presentational value of an independent Commission. This is an area where I shall listen to the arguments in the House with close attention.

I have made it clear to the boroughs interested in opting out that we will wish to discuss with them which groups of staff should be block transferred and I will keep you in touch with progress on this front. The extent to which



boroughs can make early savings - thereby reducing their community charge - is also bound up with the question of financial assistance with redundancy costs when boroughs opt out which my officials will be pursuing in consultation with yours in the light of discussion in E(LF)(87) 23rd meeting.

I have looked again at my proposals for a statutory requirement for co-operation between ILEA and an opting out borough in the light of your comments and our own further thoughts. I have concluded that no such requirement should appear on the face of the Bill. I shall, however, seek to encourage ILEA and shadow borough LEAs to work together in the months before opting out. Such co-operation will be to the benefit both of the pupils and students affected by the change, and of the council and its officers which will inherit responsibility for administering education.

I agree that the 60 day requirement attached to the information powers could have proved a hostage to fortune. The Bill will reduce this period to one month.

I am copying this to other members of E(EP) and to Sir Robert Armstrong.

*James*  
*King*



Education: ILEA PTS.

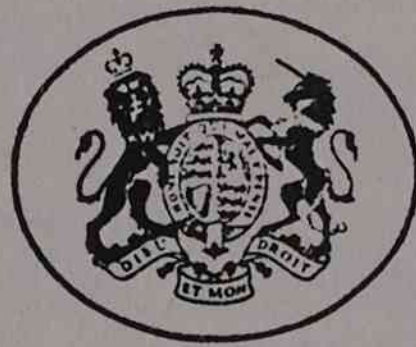




CC BG

From: THE PRIVATE SECRETARY

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HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

6 November 1987

NBM

Dear Sir,

ORGANISATION OF EDUCATION IN INNER LONDON

I am writing to confirm my telephone call on 4 November conveying the Home Secretary's agreement that Mr Baker should proceed with the proposals for opting out of ILEA on the lines set out in his minute to the Prime Minister circulated on 3 November.

I am copying this letter to the Private Secretaries of the other recipients of Mr Baker's minute.

Yours sincerely,

*P J C Mawer*

P J C MAWER

T Jeffrey, Esq.,

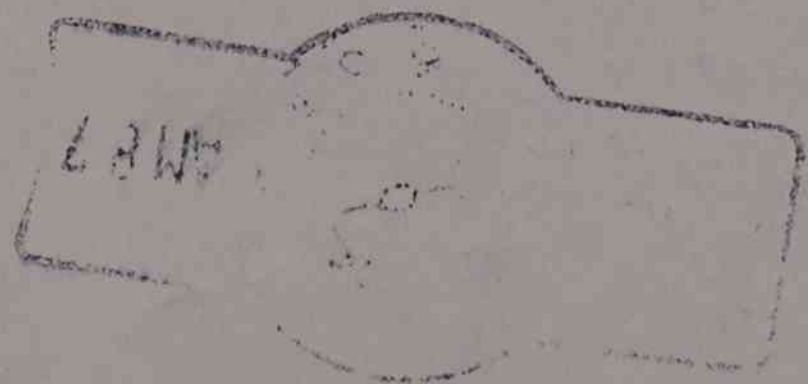
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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

5 November 1987

*Dear Tom,*

THE ORGANISATION OF EDUCATION IN INNER LONDON

The Prime Minister has seen your Secretary of State's minute of 3 November which set out his proposals on the ILEA, and is content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to the members of E(EP) and E(LF), to Michael Saunders (Attorney General's Office) and Trevor Woolley (Cabinet Office).

*David*

David Norgrove

Tom Jeffery, Esq.,  
Department of Education and Science.

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*CCB*



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

*N B M*

5 November 1987

*Dear Secretary of State,*

INNER LONDON EDUCATION

*will request if required*

Thank you for sending me a copy of your minute of 3 November to the Prime Minister.

I am personally content with what you propose, but I am sorry that you have decided against a Staff Commission to deal with staff transfers. Experience here suggests that a Commission can help gain the confidence of staff and allow the trade unions to be more co-operative in sorting out these issues. The informal arrangement you propose may be equally successful but they would have to be seen to be independent.

You do not say what your latest thinking is now on block transfers. This will clearly affect the rate at which opting out boroughs can make savings, in which I have a particular interest because of the effect on community charges. While this does not affect the drafting of the Bill, I would be glad to hear what your latest proposals are.

I am broadly content too with the proposals set out in the Annex to your minute. I have doubts, however, about a statutory requirement to co-operate, particularly in these circumstances. If ILEA is minded to co-operate as their statement suggests, they will anyway. If they are not, it is difficult to see how a statutory requirement will make them do so.

IF ILEA really are prepared to co-operate, I think that the information-seeking powers which allow 60 days for responding to request for information is too long. That is effectively the gap you are now proposing from Royal Assent (on the assumption that the Bill goes to the end of the session) and the last day for applications to opt out.

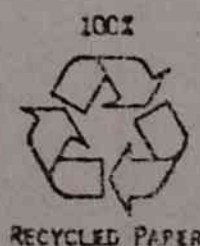
I am copying this to the other members of E(EP) and to Sir Robert Armstrong.

*Yours sincerely,*

*N Ridley*

NICHOLAS RIDLEY

*PP (Approved in draft by the Secretary of State and signed in his absence)*



RECYCLED PAPER





cc/ga  
Prime Minister  
Content, subject  
to colleagues?

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DW  
Yes not

PRIME MINISTER

#### THE ORGANISATION OF EDUCATION IN INNER LONDON

1. Our consultation paper on opting out of ILEA has produced a large response but, almost without exception, those commenting express complete opposition to our proposals. Paradoxically, there appears to be a greater readiness now than for many years to accept the once for all abolition of ILEA. It is not surprising that ILEA has again orchestrated a campaign in its own defence, although it is disappointing that the prospective opting out boroughs have done little to persuade their residents to write in support.

2. We must stand by our Manifesto commitment to allow opting out rather than to compel the break-up of the Authority. We could not now legislate for the abolition of the ILEA by 1990. In any case, it would be difficult to do so without carrying out a review of the Authority's performance under Section 22 of the Local Government Act 1985 - which we intend to repeal. ILEA have themselves requested that I carry out such a review; I have refused.

#### CHANGES AS A RESULT OF CONSULTATION

3. I therefore propose that we should make no modification to the main lines of our policy, including the broad arrangements for staff transfer, property transfer and finance. There are however some changes or additions which increase the likelihood that those boroughs wishing to opt out will be able to do so successfully to the tight timetable implied by the target date of April 1990. The main ones are discussed below; some smaller issues are collected in the Annex.

#### Timing

4. We are perhaps most vulnerable on amendments designed to slow down the timetable so that it becomes virtually impossible for boroughs to opt out by our target date of April 1990. We shall come under pressure to concede -

- (i) a requirement for some form of consultation with local people, and particularly parents, before a borough applies to opt out;
- (ii) more than the one month we have proposed for statutory objections to an application;



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- (iii) more than the three months we have envisaged for the accelerated hybridity procedure for the transfer Orders in the House of Lords.

If combined amendments along these lines were carried in the Lords it would be unlikely that the Orders would be approved until late autumn 1989, leaving at most five months before the transfer of education responsibilities. We simply could not guarantee in those circumstances that there would be an orderly transfer to the new LEAs.

5. I am very concerned about these potential timing difficulties. We need to take preventative action now and I have therefore concluded that -

- (i) we should advance the final date for applications from 28 February 1989 to 31 December 1988;
- (ii) we should be prepared to concede, during the passage of the Bill, an extension to two months of the period for statutory objections;
- (iii) we should introduce the Bill with provision for a two month accelerated hybridity procedure in the Lords, leaving room to concede later three months if necessary.

OTHER ITEMS

Role of the Education Assets Board

6. Following comments by the Chief Secretary, E(EP) asked me to consider the role of the EAB in the opting out process. I now propose the following arrangements in order to minimise the demands falling on the EAB - to the extent that there will be no need to increase my PES bid on this account- while providing access during the difficult period of transition to the advice of a body which we are specifically setting up to deal with similar matters arising from other aspects of our legislation.

7. The functions I have identified are -

- (i) a reserve role in ensuring that each transfer to a borough is effective from the transfer date. The opting out borough and ILEA would be required to appoint an arbitrator in cases of dispute, eg over user rights. If they could not reach agreement on a suitable person, the EAB would be empowered to appoint one, with costs to be met by the two parties. The Conservative boroughs have specifically requested some such provision for arbitration;
- (ii) a counter-obstruction role in relation to moveable assets. E(EP) asked me to consider measures in this area, and I have concluded that the following procedure, based on that adopted at the time of the abolition of the GLC, would be appropriate. The Department would invite the Audit Commission to impress on District Auditors the need for opting out boroughs to establish, well in advance of transfer date, inventories of



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the moveable property they would inherit. The EAB would have the power to arbitrate on whether there was good cause for any discrepancy between the inventory and the property actually inherited, and to advise me on whether to direct ILEA either to hand over specific items of property or to pay compensation to the borough;

- (iii) a requirement that the EAB should provide such advice as I may request. We cannot be sure of foreseeing all the complexities that may arise, and deliberately to cut ourselves off from this source of expert advice would be perverse.

Capital Receipts

8. E(EP) asked me to consider what might be done to minimise the risk that ILEA might, through improper disposal of property, acquire capital receipts which would score against its capital allocation. This point is fairly simply met by a provision, both in relation to ILEA and the PCFC sector, ensuring that such receipts would not count in this way.

Counter-Obstruction - Staff Transfer

9. E(EP) asked me to consider measures against possible obstruction by ILEA in relation to staff transfer. The only practicable measure we have identified is that designed to prevent "no-compulsory redundancy" agreements being entered into from the date of introduction of the Bill. This has now been agreed by E(EP).

Staff Commission

10. Most respondents express lukewarm acceptance of the possibility, floated in the consultation paper, of establishing a Staff Commission to assist over opting out. None however suggest areas in which it would perform tasks which could not equally well be performed - at some staff cost - by my Department. The case for a Staff Commission therefore rests on the reassurance it provides to ILEA staff that their interests will be impartially considered. Against that, there is a risk that a Commission could try to use its independence publicly to criticise the opting out policy and its implementation. Since we are not proposing a compulsory ring fence arrangement, a Commission would need no powers of direction, and could be criticised as toothless. It would furthermore linger on in existence for as long as the opting out process lasted. I therefore propose that we should make no provision in the Bill for the establishment of a Staff Commission. If in the event it became apparent that some form of advice would be helpful, I could consider setting up non-statutory arrangements.

Trigger Mechanism for Dissolution of the Rump ILEA

11. E(EP) in September endorsed my general proposals for reserve powers to break up the rump ILEA and establish a residuary body. The only matter which remained unresolved was the question of how to describe the point at which the reserve powers would become available. I had proposed that this should be when there were five boroughs or less left in ILEA; against this, it was argued that



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if a given number of boroughs were defined as the point below which the power became available, there would be great pressure on boroughs not to trigger the possible use of the power by opting out. I was therefore requested to attempt to find an alternative, purely verbal and general formulation.

12. The strongest formulation we have been able to come up with is that the legislation should provide a power for the Secretary of State to require inner London boroughs to submit applications for assuming LEA responsibilities where

Either the geographical or other circumstances of the boroughs remaining in ILEA, or which would remain in ILEA following the opting out of other boroughs, were such that the maintenance of an effective education service would no longer be possible, or possible only at disproportionate cost;

Or there would, without a major restructuring of the electoral arrangements for ILEA, be too few elected members for the effective discharge of their responsibilities.

13. Parliamentary Counsel advise that any general formulation of this sort is vulnerable to judicial review. In their view, such a provision would be difficult to use, and perhaps impossible in certain circumstances. I therefore believe that, despite the problems associated with it, the "five boroughs" option is more likely to lead to the outcome we want.

CONCLUSION

22. We need to proceed very swiftly indeed if provisions covering the points discussed in this minute are to be included in the Bill as introduced. I should therefore be grateful for colleagues' confirmation - by the evening of Wednesday 4 November if at all possible - that they are content with what I propose.

23. I am copying this minute to other members of E(EP) and E(LF), the Attorney General and to Sir Robert Armstrong.

KB.

KB  
Department of Education and Science

3 NOVEMBER  
~~OCTOBER~~ 1987



## ANNEX

### THE ORGANISATION OF EDUCATION IN INNER LONDON: MINOR CHANGES TO EXISTING PROPOSALS

#### Cooperation Between ILEA and Opting Out Boroughs

1. No transfer of responsibility between local authorities has ever taken place on such a short time scale as the one proposed for opting out. Everything would have to be in place by 1 April 1990, only weeks before examinations were due to begin and while secondary transfer choices and admissions to colleges and awards to students would, in the normal course of things, still be being determined. These are all areas where potentially serious problems could occur. ILEA have - helpfully - suggested that it will be necessary for an opting borough and the Authority to work closely together in run-up period to transfer. Such cooperation is likely to assist the process of smooth transition, and there may be advantage in building on ILEA's statement and writing into the legislation a requirement that ILEA and the opting out borough should cooperate during the period between approval of a transfer order and transfer itself. The moral effect at least of such provision might be useful.

#### Governing Bodies

2. The Conservative boroughs have requested that, in addition to the ILEA nominees who will be automatically replaced on governing bodies by nominees from the boroughs from the date of transfer, coopted members on governing bodies - who will have been chosen by the ILEA dominated governing bodies - should also be removed from office at the same date. I believe that we should agree to this request, and make provision in the Bill accordingly, so far as schools are concerned. Co-optees on FE college governing bodies will be covered by Bill's provisions on college governing bodies generally, and no special provision is needed to secure the boroughs' objective in this case.



### Information-Gathering Power

3. The consultation paper proposed that ILEA should be required to make available any necessary information to an opting out borough. This proposal has now been refined as follows -

- ILEA and its officers should be under duty to provide information
- within a period of sixty days
- upon request by a borough considering opting out, one whose proposal to opt out has been approved, or by the Secretary of State
- this requirement to commence with Royal Assent and to terminate in respect of individual boroughs twelve months after the date of transfer.

### Compulsory Purchase

4. At present there is no sign that ILEA will attempt to circumvent the requirement for consent before disposal of property; we may therefore hope that any provisions for compulsory purchase will be unused. It is nonetheless necessary to provide for this contingency.

5. In the case of institutions entering the PCFC sector, where an LEA has improperly disposed of assets before the transfer takes place, the EAB will have a power of compulsory purchase. It is not necessary to give the EAB such a power in relation to opting out of ILEA - the boroughs have experience of making Compulsory Purchase Orders, and there will be no point in introducing another layer of bureaucracy. It is therefore envisaged that the boroughs should be enabled to make a CPO, and to submit it to the Secretary of State for confirmation - thus enabling him to confirm that the property in question was disposed of without his consent.



6. However the usual CPO procedure under the Acquisition of Land Act 1981 allows for public inquiries and rights of application to the High Court. There must plainly be some provision for the owner of land to state his case against the CPO; and in view of the fact that compensation to the dispossessed owner would have to be paid by ILEA, ILEA also should have the right to make representations to the Secretary of State against confirmation. Under the model of the 1981 Act the dispossessed owner - but not ILEA - will in certain circumstances have the right to insist on a public inquiry. We cannot defensibly remove such a right in the present case.

7. Nor would there be much point in seeking to exclude an appeal to the Court against the Secretary of State's confirmation of such a CPO; the Court would simply allow an application for judicial review. It is therefore proposed to allow a time-limited statutory appeal along the lines of that in the 1981 Act, to ensure that no appeal could be mounted after that time had expired and, in practice, that no application for judicial review can take place later, either.





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PRIME MINISTER

ILEA: MEASURES TO REDUCE OVERMANNING

[E(LF)(87) 44]

DECISIONS

The Sub-Committee needs to decide two issues:

- i. whether to introduce direct controls over the ILEA's manpower, with a view to enforcing reductions in overmanning;
  - ii. whether to provide financial assistance to inner London boroughs which opt out of the ILEA from 1990/91, and possibly to the rump of ILEA itself, to help meet the cost of compensating staff for redundancy and detriment.
2. On manpower controls, Mr Baker argues strongly against either using the existing control for 1988/89 or taking new powers for subsequent years, despite E(LF)'s strong preference for direct controls when this was last discussed. Instead he favours the use of rate capping powers to impose substantial reductions in the ILEA's expenditure, possibly including the imposition of conditions on manpower numbers if the ILEA applies for redetermination of its annual Expenditure Level.
3. On assistance with the costs of staff compensation, Mr Baker seeks agreement to a limited grant scheme to assist:
- i. boroughs which opt out to pay redundancy costs incurred in slimming down the number of transferred staff;

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ii. boroughs which opt out to meet detriment payments to ILEA staff whom they employ at lower rates; and

iii. ILEA to slim down its central administrative staff following opting out.

#### BACKGROUND

4. E(LF) discussed the projects for achieving reductions in the ILEA's high level of spending in the run up to the introduction to the community charge in 1990/91 on 22 July (E(LF)(87)17th Meeting). They agreed that it would be essential to use precept limitation to secure the maximum possible reductions in the ILEA's expenditure. But they also felt that there was a strong case for going further, and controlling the ILEA's manpower directly. Mr Baker was asked to bring forward detailed proposals for achieving that, through the existing power for 1988/89 and under new powers thereafter. The existing power applies also to the joint authorities for police, fire and passenger transport which were created on the abolition of the GLC and the metropolitan counties: E(LF) took the view that the new powers should probably apply to these authorities as well as the ILEA.

5. E(EP) discussed the staffing aspects of the right for inner London boroughs to opt out of the ILEA on 30 July (E(EP)(87)4th Meeting). Mr Baker raised the possibility of financial assistance with compensation costs, and was asked to consider this further with the Chief Secretary, Treasury.

#### MAIN ISSUES

##### Manpower Controls

6. Mr Baker's main reasons for opposing direct manpower controls are as follows.

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i. <sup>manpower</sup> Detailed manpower limits would be difficult to set and police, particularly using the existing power which has no sanctions for non-compliance and a number of other defects. They would drag the Government into operational decisions about the running of education in inner London, with massive scope for controversy and possible legal challenge.

ii. The rate capping powers should allow the Government to enforce cuts in the ILEA's expenditure and therefore eventually in manpower which accounts for two-thirds of the authority's costs. The power to impose "requirements" on the ILEA when it applies for a redetermination of its expenditure level (as it has for 1988/89) provides an opportunity to set conditions about manpower.

iii. Detailed manpower controls could undermine rate capping. Mr Baker believes that the maximum manpower cut which could be achieved through natural wastage is about 5 per cent. Higher cuts would involve redundancy costs. Any manpower limit might therefore look inconsistent with an expenditure level which requires cuts of 11 per cent in real terms.

Mr Baker is likely to be particularly concerned about the final point, and is unlikely to agree to run manpower controls in parallel with rate capping unless the Attorney General advises him that he is on sound ground.

7. Against this, the advantages of direct manpower controls would be:

i. that they would ensure some reductions in staffing, something which rate capping since 1985/86 has so far failed to deliver;

ii. there may in fact be more scope for reductions through natural wastage than Mr Baker suggests. The actual rate of wastage is around 10 per cent, and he is assuming that he

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would have to allow the ILEA to fill roughly half these posts to keep the education service running. That may be pessimistic given the scope for redeployment;

iii. even if the Government had to aim for a lower level of cuts using manpower controls and rate capping together than if it had operated rate capping alone, it might actually achieve more because a manpower control would be much more difficult to evade.

It was arguments of this sort which convinced you earlier that there was a strong case for manpower controls.

8. The arguments are more about means than about ends. There are also legal considerations: rate capping is at least a fairly well tried and tested form of control, whereas manpower controls would be completely new. You will want to weigh the advantages and disadvantages set out above, and decide whether to confirm E(LF)'s earlier preference for manpower controls. If you do, you will want to ask Mr Baker to bring forward very quickly firm proposals for the use of the existing power for 1988/89 and for legislation to impose a new control in subsequent years.

*A.H.C.*  
9. If you decide on direct manpower controls for the ILEA, you will need to decide whether they should also extend to the police, fire and passenger transport joint boards, which are all covered by the existing legal powers. It might be possible to justify controls on the ILEA alone as a transitional measure pending the new right for boroughs to opt out of the authority. In that case the Education Bill would seem the right vehicle, although it would probably make the Bill even more controversial. On the other hand there might be a case for a general extension of the existing power in relation to all the joint boards, probably in the Local Government Bill. But the Home Secretary is likely to resist any extension new control for police joint boards. The Transport Secretary will argue that the passenger transport boards have so few staff that powers to control their manpower are irrelevant.

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Nevertheless you will want to consider whether it would be less contentious to extend any new control to all the bodies covered by the the present legislation.

Financial Assistance with Staff Compensation Costs

10. Mr Baker's proposals to provide assistance with staff compensation costs would clearly have some advantages.

i. They would allow boroughs which opted out to slim down the level of staff they inherited as fast as they felt was practicable without concern for the financial consequences.

ii. Any reductions they achieved would result in an immediate reduction in the community charge they had to levy, so there might be early benefits for community charge payers.

iii. Assistance to the rump ILEA to slim down surplus administrative staff after opting out would help to deflect criticism that the authority was being left in an impossible position, and would reduce the burden on community charge payers in boroughs which remained in the ILEA.

11. On the other hand, there are arguments against special assistance.

i. If redundancies occur early enough in the financial year there is often no net cost: compensation costs are on average more than balanced by the avoidance of salary costs. (However in the case of education it may be difficult to impose redundancies in some areas until the summer, between two academic years.)

ii. No such assistance was given when the GLC and the Metropolitan County Councils were abolished. Redundancy costs had to be met from local resources.

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iii. It would mean either an additional charge on the Exchequer or a diversion of money for within the existing total of Exchequer grant to inner London boroughs. The latter course would draw criticism from authorities elsewhere.

12. You will want to weigh these advantages and disadvantages carefully. One relevant factor is that you have agreed a limited scheme for assistance with the cost of redundancies at grant maintained schools. Assistance for opting out boroughs could be presented as an extension of that decision.

#### VIEWS OF OTHER MINISTERS

13. The Chief Secretary, Treasury is likely to resist all Mr Baker's proposals. He will argue that it is necessary to control the ILEA's manpower directly. For 1988/89 he would probably accept control through conditions imposed on the redetermination of the ILEA's expenditure level for rate capping. But he is likely to press for new powers to control manpower in subsequent years (probably for the ILEA alone rather than for all the joint boards). He is also likely to resist any financial assistance with redundancy costs, quoting the abolition precedent. The Environment Secretary is also likely to favour some form of manpower control, although he too would probably accept the use of rate capping conditions for 1988/89. He will probably resist any financial assistance with staff compensation, particularly if it means a new specific grant at the expense of block grant. The Home Secretary and the Transport Secretary are both likely to resist the extension of any new manpower controls to their joint boards.

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HANDLING

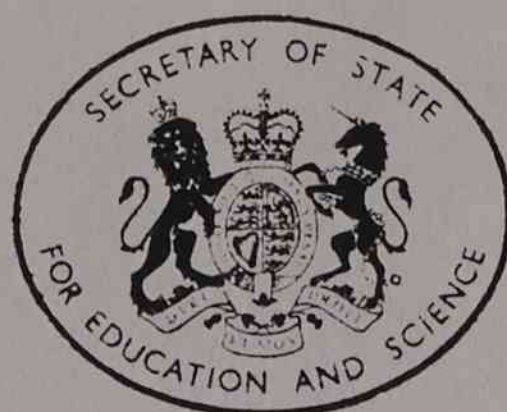
14. You will want to ask the Education Secretary to introduce his paper. The Environment Secretary, the Chief Secretary, Treasury, the Home Secretary and the Transport Secretary will all wish to comment on the issue of manpower controls. The Environment Secretary and the Chief Secretary, Treasury will want to comment on the proposal for financial assistance with staff compensation costs.

R.T.J.

R T J WILSON  
Cabinet Office  
30 October 1987

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ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

The Rt Hon Norman Fowler MP  
Secretary of State for Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NF

NBM

23 October 1987

*John Munn*

**OPTING OUT OF ILEA: CONSULTATION DOCUMENT**

Thank you for your letter of 13 October, requesting that when boroughs submit applications to opt out of ILEA, you should have an opportunity to assess the implications of their proposals for the organisation of the careers service.

*WILL REQUEST IF REQUIRED*

I shall of course ensure that you have such an opportunity - indeed, I may wish to consult other colleagues about various aspects of particular applications. The timing will of course be tight: applications will be due by 28 February 1989, and I must aim to reach a decision on them within two months.

I am copying this letter to members of E(LF) and E(EP), to the Attorney General and to Sir Robert Armstrong.

*Norman*  
*Kenneth*



Reference No P 02841

PRIME MINISTER

Opting Out of ILEA: Reserve Powers  
(Mr Baker's Minute to you of 18 September)

## CONCLUSIONS

In his minute Mr Baker returns to the question whether the Education Bill should provide for the eventual winding up of ILEA. Specifically, he proposes:

- a. a reserve power to compel a borough which has not applied to become a Local Education Authority (LEA) to submit plans for becoming one this reserve power to be usable only when ILEA shrinks to 5 boroughs; and
- b. a reserve power to establish and finance a residuary body to be used if ILEA as a whole is wound up.

## BACKGROUND

2. Mr Baker proposed a reserve power to direct boroughs to assume LEA responsibilities where he was satisfied there was no longer a continuing role for ILEA in a paper to E(LF) earlier this year (E(LF)(87)20). E(LF) decided on 2 July that this proposal could prove controversial and should not be pursued (E(LF)(87)11th Meeting). Mr Baker's minute to you of 18 September raises the issue once more. He has however modified his proposal so that the power can be used only when voluntary opting-out by boroughs has reduced the number of those remaining in ILEA to five.

## ISSUES

Reserve Power to compel a borough to become an LEA

3. Mr Baker is likely to put forward the following arguments in favour of his proposal:





- a. it would be indefensible to allow ILEA to linger on if it was only responsible for a handful of boroughs, some of which could be scattered geographically;
- b. without it, the Government would have no convincing answer to questions about what would happen if ILEA shrank to an unmanageable size. It would look as though the Government had no confidence in the success of its own policies;
- c. dealing with this now will add little to the opposition which ILEA will mount against the Government's proposals in any event and will save the Government having to legislate again in a few years' time; and
- d. his modification of his earlier proposal will make it more acceptable. The new power cannot be used until the great majority of boroughs have already decided of their own accord to leave ILEA. There is no question of using it to force a break-up of ILEA.

4. The arguments against Mr Baker's proposal are:

- a. the Government's general line is that it is only giving boroughs freedom to decide for themselves whether to stay in ILEA. Any power of compulsion, even one to be used only when ILEA had almost disintegrated would look like Government intervention;
- b. the power will complicate the passage of the Bill (you might ask how long the necessary provisions would have to be). Moreover, the powers proposed by Mr Baker are not needed now, and will probably not be usable until the mid-1990s and may never be needed. So risks are being run now for a distant and uncertain gain;



c. he is exaggerating the difficulty which he is going to have answering questions in Parliament. Surely he could say that he expects all boroughs in due course to see the wisdom of opting out although if one or two were foolish enough to want to stay in ILEA, he would as a last resort ask Parliament for power to cater for them?

#### Reserve Power to establish a separate residuary body

5. Mr Baker also proposes a reserve power to establish a residuary body to deal with remaining assets and staff when ILEA is wound up, as the result either of the exercise of the new power already discussed, or of the choice of the boroughs.

6. The Sub-Committee's view on this may depend on its view of Mr Baker's main proposal. If it were to accept this, there would presumably be a case for legislating for the residuary body. If he takes power in effect to wind up ILEA, he also needs to take power to deal with the consequentials.

7. If however the Sub-Committee rejects the main proposal, the case for the residuary body seems much weaker. Mr Baker implies that the body will still be needed to deal with purely voluntary disintegration. You might explore this further. Would it be possible to set up a residuary body as long as ILEA exists at all, even with only one borough? If not, this proposal deals with an even more distant and uncertain possibility than the main one.

#### Views of other Departments

8. Other Departments have no strong views, but:

- DOE will brief Mr Ridley to support Mr Baker, but to suggest that plans for the boroughs to assume LEA responsibilities should be drawn up not by the boroughs, who might be unwilling, but by DES. Might not the assumption of this role by DES look like heavy-handed Government intervention?





- The Treasury will want to record that the costs of the residuary body should be met by the London boroughs, not by central Government. Mr Baker's minute is not clear on financing, but DES officials accept this.

**HANDLING**

9. These decisions are essentially a matter for political judgement. You will wish to invite the Secretary of State for Education and Science to present his proposals. The Lord President of the Council, the Lord Privy Seal and other Ministers may wish to comment on the political and legislative implications. The Environment Secretary and the Paymaster General may wish to comment on the proposal for reserve powers to establish a residuary body.

*RTJ*

R T J WILSON

Cabinet Office

25 September 1987





10-1-2



10-1-2



CCRG



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

23 September 1987

Dear Secretary of State,

NBRN.

OPTING OUT OF ILEA: MAINTAINED FURTHER EDUCATION

flap

Thank you for sending me a copy of your minute of 17 September to the Prime Minister. I am generally content with what you propose subject to one point.

It concerns those specialist institutions in adult education which you refer to. I do not think we can adopt a stance of being prepared to respond to sudden pressure in relation to particular institutions by agreeing to take them onto central funding. While I do not ultimately rule out this option, I think we should only adopt it in the light of a careful consideration of the alternatives. I think officials should consider the fall-backs, though I quite agree with you that we should not give any hint that we are contemplating any at present.

I am copying this to the Prime Minister, the other members of E(EP) and to Sir Robert Armstrong.

Yours sincerely,

*Nicholas Ridley*

pp

NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence.)



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CCBYP CCBG  
NOTE: Suggested Review that this should be taken at E(EP) Dec 22/9.

PRIME MINISTER

OPTING OUT OF ILEA: RESERVE POWERS

1. In July E(LF) broadly endorsed my proposals for implementing our policy on opting out of ILEA (E(LF)(87) 11th Meeting Minutes). Only one aspect produced significant disagreement. The Sub-Committee took the view that my proposal to take a power to compel a borough which had not applied to become an LEA to submit plans for doing so could not be justified by the likely scale of the problem.

2. While I do not dissent from that general judgement, I do not believe that we can leave the legislation completely open-ended. The situation looks different if one considers what might happen if the majority of inner London boroughs successfully apply to opt out. I do not altogether discount the possibility that this could happen in 1990; but in any event, since we have made it clear that the offer will remain open, it is quite likely that by the mid-1990s we shall be faced with this situation. That is to be welcomed, but it does create its own difficulties.

3. In my view, we could not sensibly defend a situation in which ILEA lingered on with responsibility for a handful of, perhaps scattered, boroughs, particularly as it might well be picking up residual assets as a consequence of opting out. A very small and fragmented ILEA would certainly make no educational sense, and the direct election of its members would become increasingly hard to justify.

4. I believe therefore that the legislation must make reserve provision for ILEA to be broken up in the last resort. Without such a provision, we shall have no convincing answer in Parliament when our opponents ask us whether we are prepared to contemplate

attached



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an ILEA with no more than, say, three, two or even one borough in membership. We should have to explain that we would be prepared to introduce fresh primary legislation if the situation arose. But that would be portrayed as a striking lack of confidence in the attractiveness of our proposals. Better, in my judgement, to tackle this problem head-on now, when it will add comparatively little to the opposition which the ILEA vested interests will mount in any case, than the probability of having to go over this ground yet again in a few years' time.

5. Nonetheless, I think we must signal that it is not our intention to force the break-up of ILEA on a majority of unwilling boroughs. It would in my judgement be right to take a reserve power which would be available to the Secretary of State only when ILEA shrinks to or below a certain size - five boroughs is probably the right level to choose. There would be no requirement to use this power, which would be exercisable under an Order subject to the affirmative resolution procedure, even at that stage. If the remaining ILEA offered a reasonable prospect of effective operation, it could remain in being. But if that were not the case, I consider it only prudent to be in a position to require the boroughs remaining within ILEA to be under a duty to submit plans for assuming LEA responsibilities.

6. On the assumption that the majority of boroughs will not opt out initially, ILEA can at first act in effect as its own residuary body in relation to staffing and property matters. But if ILEA as a whole is wound up - whether forcibly or as a consequence of the choice of each borough - it will be necessary to establish a separate residuary body to deal with the consequent problems arising from residual assets and to make arrangements for the staff who will not have been block transferred to the boroughs. I therefore propose that the power I have described above should be accompanied by a reserve power to establish and finance a residuary body for these purposes. The nature of the residuary body and the scale of its operation would of course depend on the size



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of ILEA at the time of its dissolution, and on the timing of that dissolution. It is in the nature of the case that that cannot be predicted. On the basis of boroughs' current statements, it looks unlikely that such a power would need to be triggered before the mid-1990s.

7. There would plainly need to be close consultation between Departments before the use of either of these reserve powers could be contemplated. But I believe that both are essential to the coherence of our proposals. I should therefore be glad to know whether you and other colleagues are content that we should include provisions along these lines in the Education Bill. In view of the deadlines to which we are working, it would be helpful if this matter could be agreed in correspondence. But if colleagues wish to discuss, I should of course be ready to do so.

8. I am copying this minute to other members of E(LF) and E(EP), to the Attorney General and to Sir Robert Armstrong.

KS.

KB

Department of Education and Science

18 September 1987



Education: ILEA PTS PT



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B/F 24.9.67

CC/BE  
Amy P. U. Comera

PRIME MINISTER

OPTING OUT OF ILEA: MAINTAINED FURTHER EDUCATION

~~E(EP)(87)~~ <sup>ATTACHED</sup> 4th meeting invited me to circulate proposals for dealing with further education colleges in boroughs likely to opt out of ILEA. Polytechnics and higher education (HE) colleges in ILEA are already to be removed from ILEA control under my proposals for higher education. This minute considers the implications for both further education and adult education in inner London.

FURTHER EDUCATION (FE)

2. Excluding the polytechnics and HE colleges, ILEA currently sponsors 14 general and 2 specialist colleges catering predominantly for about 30,000 full-time equivalent FE students. FE is administered centrally from County Hall, not on a divisional or borough basis. Many students cross borough boundaries to study.

3. LEAs generally are already under a duty to secure the provision of adequate facilities for further education - defined to include adult education - suitable to meet the needs of their area, but not necessarily to provide it themselves. They are empowered, but not obliged, to provide further education also for students from outside their area. This position will continue essentially unchanged under my plans for maintained further education.

PROVISION FOR EACH BOROUGH

4. On the basis of the principle - set out in the consultation paper - that boroughs would inherit institutions located (or mainly located) within their area, the provision for each borough is in summary:



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<u>Good Provision</u>	<u>Adequate</u>	<u>Inadequate</u>	<u>None</u>
Wandsworth Islington	Westminster Hammersmith & Fulham	Greenwich	Kensington & Chelsea Tower Hamlets
Lambeth	Camden Hackney Lewisham Southwark		City of London

Of the boroughs which have so far made clear the intention to apply to opt out from 1990, therefore, Westminster and Wandsworth are adequately supplied, while Kensington & Chelsea and the City have no provision.

5. It will be open to those boroughs applying to opt out without adequate provision to set up new establishments (although we would not wish to encourage this because it would entail additional expenditure when our policy is designed to reduce spending). They are more likely, however, to seek co-operative arrangements with neighbouring LEAs. Over Inner London as a whole there should be sufficient provision for the projected numbers of students to find places. LEAs are obliged under Section 51(5) of the Education (No 2) Act 1986 to admit most categories of FE students from other LEAs unless doing so would deprive a student from their own area of a place. I do not therefore propose to seek additional arrangements to safeguard students resident in opting-out boroughs.

6. Conversely there may be short-term financial consequences for opting-out boroughs with over-generous FE provision, who will become net 'importers' of FE students. Where a student from one LEA attends a course in another, recoupment is mandatory for full-time FE courses and most work-related part-time courses. For other part-time day courses, it is a matter for agreement between the home and providing LEAs. Mandatory recoupment is set at standard rates, which may be well below the unit costs in Inner London (particularly at lavishly funded ILEA establishments) although not necessarily below the marginal cost of taking additional students from another LEA. However, pressure on opting out boroughs



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to reduce the unit cost of FE is healthy. I shall scrutinise boroughs' plans for FE particularly carefully, but see no reason to exempt inner London from the general rules.

7. There is also a range of specialist NAFE provided by ILEA, both in specialist colleges (Cordwainers, Merchant Navy College) and in specialised departments within general colleges, eg construction in Vauxhall, pharmacy in Kingsway Princeton. Such establishments provide an important service to London as a whole and this provision should be retained. LEAs elsewhere in the country, including small authorities, have successfully maintained specialist colleges or departments to serve a wide area. There seems therefore to be no reason why inner London boroughs should not be responsible for specialist FE. The guidance I propose to issue will make it clear that applications to opt out should include plans for taking over such provision, with a commitment to continue to provide places in important minority subjects.

8. Particular issues arise in the case of two institutions: the London Institute and the Merchant Navy College. The London Institute has sites in 6 ILEA Boroughs, and 49% of its 6,400 full-time equivalent students are on higher education courses. We are considering three options:

- (i) ILEA continues to run it: this may not be practical if a significant number of boroughs opt out.
- (ii) Splitting up the Institute: this may not be desirable educationally or organisationally.
- (iii) Transfer to the new polytechnics and colleges sector: although the Institute does not meet the present criteria for selection - 55% higher education students - it has over 3,100 such students, many more than any other college excluded from the new sector. We have checked with the House authorities that an additional criterion based solely on higher education student numbers and which only caught the London Institute would not be hybrid. ILEA might try to frustrate such transfer, and the place of the Institute's non-advanced further education students - over 3,000 full-time equivalent - in the new higher education sector could be a problem. We are considering these points further.



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I do not need to make a decision before the Bill is in Committee. This will allow time for the picture of opting-out boroughs to become clearer and for a fuller assessment of the Institute's further education work.

9. The Merchant Navy College is run by ILEA but located in Kent. In the short term, it should continue to be funded and administered by ILEA; in the longer term I intend to ensure that it could be transferred to Kent LEA if this became necessary.

ADULT EDUCATION

10. ILEA maintains (or in a few cases grant-aids) the following establishments providing adult education:

- 17 "area" Adult Education Institutes (AEIs)
- 4 "Community Education Centres"
- 5 non-territorial or specialised institutions

11. The AEIs essentially provide a local service. Each AEI has a headquarters and between 8 and 18 satellite branches, many of the buildings being shared with schools. I propose that opting-out boroughs should inherit all the sites within their area. This will require some reorganisation of the Institutes, but I foresee no major problem. Under these arrangements, individual boroughs would inherit accommodation varying somewhat in quantity and quality but none would be inadequately endowed by national standards.

12. The Community Education Centres, of which there are 2 in Tower Hamlets and 1 each in Camden and Southwark, provide a local service and should go to the boroughs if they choose to opt out.

13. Of the specialised or non-territorial institutions, four are grant-aided (not maintained) by ILEA. In the case of the Working Men's College and the Royal School of Needlework, ILEA's financial contribution is modest; and, while



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the Mary Ward Centre (in Camden) receives rather more from ILEA, the scale of its provision is small enough that the Centre should look to Camden if it opts out and perhaps one or two neighbouring LEAs, for future funding. But the City Lit(erary Institute) and Morley College are very large establishments offering a range of specialised and sometimes unique provision. They recruit very widely, and their reputations are national. The City Lit is maintained by ILEA as part of Central London AEI and Morley receives the bulk of its funds from the Authority. Very strong representations are likely to be made for special arrangements (perhaps involving central funding) to secure the future of these institutions.

14. For the moment, however, we should give the institutions no encouragement to hope for this. If the relevant boroughs - Camden in City Lit's case and Lambeth in Morley's - propose to opt out, they will need to declare their intentions in relation to the institutions. Should the boroughs be unwilling to assume sole financial responsibility, there are other options not involving central funding, including continued support by ILEA or joint maintenance/funding arrangements involving two or more LEAs. Moreover Morley at least, as an independent institution, might be well placed to raise quite substantial sums of money by public appeal. Should it become apparent that none of these means would be sufficient to secure the institutions' future, they are likely to look to central government. But even to hint at the possibility of a "rescue" at this stage would be seen as a signal and would be likely to make this outcome inevitable.

CONCLUSION

15. For both further and adult education, the requirement on LEAs is to secure adequate provision. There is a strong tradition of meeting reasonable needs, in inner London as elsewhere across the country. Admittedly LEAs are free to change the nature of institutions or to reorganise provision without any requirement for consultation such as applies to schools. But, while in theory a borough inheriting a specialist establishment could swiftly either close it or transform it into a 'generalist' institution, it is unlikely any would want to do so or, if it did, would drive through against public opinion. I propose merely



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to reinforce these prospects by seeking undertakings from boroughs applying to opt out.

16. I do not therefore foresee any major difficulties with the provision of further and adult education, however opting-out proceeds. I should be glad to know if colleagues are content with the approach described.

17. I am copying this minute to members of E(EP) and to Sir Robert Armstrong.

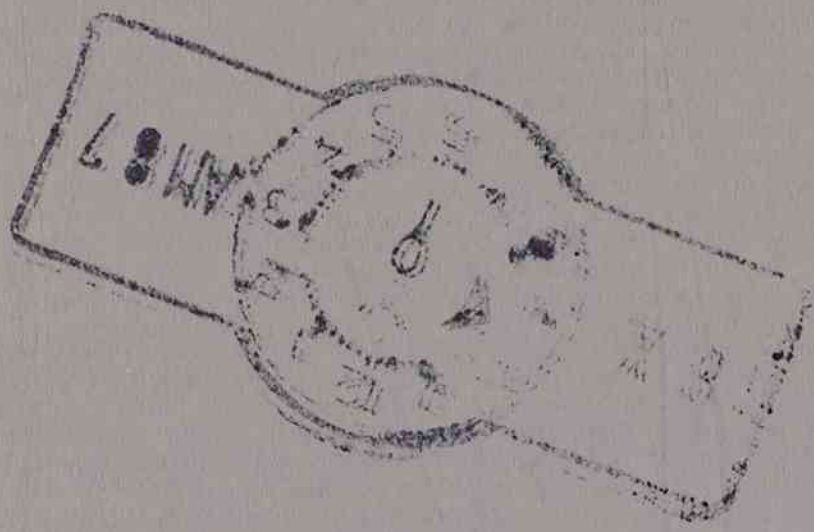
K.B.

KB

17 September 1987

Department of Education and Science







CONFIDENTIAL

PMM



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

11 September 1987

*Dear Tom,*

**OPTING OUT OF ILEA  
CONSULTATION DOCUMENT**

The Prime Minister has seen your Secretary of State's minute of 10 September, to which was attached a revised consultation document about opting out of ILEA. The Prime Minister is now content that this should be published, subject to the views of colleagues.

I am copying this minute to the Private Secretaries to other members of E(LF) and E(EP), to the Private Secretary to Sir Patrick Mayhew and to Sir Robert Armstrong.

*Yours,  
David*

(DAVID NORGROVE)

Tom Jeffrey, Esq.,  
Department of Education and Science.

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*SPW*



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Prime Minister  
This now looks acceptable.  
Content?

PRIME MINISTER

OPTING OUT OF ILEA: CONSULTATION DOCUMENT

I am grateful for the comments recorded in the attachment to your Private Secretary's letter of 7 September, and for the comments from John Major and Nicholas Ridley (their letters of 2 and 7 September respectively). Tony Newton, in his letter of 25 August, also raised some points which are relevant to the consultation paper on ILEA.

We have amended the text in the light of your comments and those of other colleagues, and I attach a copy of the revised version, which I propose to issue this Friday, 11 September. Changes from the previous version are sidelined in the text. It may be helpful if I explain the reasons for the form taken by some of these.

You asked me to delete the second sentence of paragraph 8, which explained that it would be open to inner London boroughs to apply to assume responsibilities for education from a date later than April 1990. I share your wish to ensure that as many boroughs as possible take advantage of opting out at the earliest opportunity, and I am therefore content to remove the sentence. My paper to E(LF) in July (E(LF)(87)20) however made it clear that I envisaged that there could be subsequent tranches of applications to opt out, and there was I think no dissent from that suggestion. I believe that some Labour authorities may not wish to take the plunge at this stage, but might very well choose to do so once they saw that opting out had become a reality. Furthermore, some of our Conservative colleagues, at present in opposition on borough Councils, will hope to gain control in May 1990, and will certainly wish then to have the opportunity to bring their boroughs out also.

There is no doubt that, whether we make it clear in the text or not, we shall be asked whether April 1990 is the only date

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on which opting out will be possible. Subject to your views, I think that our line must continue to be that the legislation will not preclude applications to opt out at a later date.

I recognise the concern which E(EP) felt on the question of counter obstruction in relation both to moveable assets and to staff contracts. It is however not clear what action we could sensibly announce at this stage in relation to either category. My officials are continuing to give urgent attention to this question, but it would be premature to make a specific statement of our intention. I hope therefore that colleagues will accept that the sentence added to paragraph 23 is a sufficient marker for the purpose of the consultation paper. 22

Nick Ridley shared my view that in the absence of agreement about arrangements to support redundancy and detriment compensation to ILEA staff it would be preferable to remain silent on this point. You however agreed with John Major that it would be useful to confirm that existing compensation would be available. There is of course at present no provision for compensation for detriment. I recognise the value in providing reassurance to ILEA staff. It is however difficult to go far in this direction when we are as yet unable to answer questions about whether there will be any specific assistance and if so where the money will come from. The sentence added to paragraph 16 is as far as I believe we should go at present; in particular, it avoids any reference to detriment. It has been agreed at official level with the Treasury.

John Major raised again the question of the role of the Education Assets Board (EAB) during opting out. In the interest of issuing the consultation paper this week I am prepared, as he requests, to drop the reference to this which was contained in paragraph 21 of the previous draft. However, at a stage when we cannot foresee how many boroughs will in the event opt out, and the consequent scale of operation necessary to smooth the process, it seems to me undesirable to deprive ourselves from the outset of any possible recourse to a body which we are setting up specifically to assist with the kind



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of transactions that will arise. I have asked my officials to pursue this question in more detail with the Treasury.

John Major also picked up Tony Newton's point about generating resources from disposal of surplus assets. I shall be commenting further on this in the paper which I am preparing for E(EP) on the scope for manpower controls on ILEA.

I am copying this minute to other members of E(LF) and E(EP), to Patrick Mayhew and to Sir Robert Armstrong.

*T. D. Jeffrey*

*p.p.*

KB

(Approved by the Secretary of State  
and signed in his absence)

10 September 1987

Department of Education and Science



# CONFIDENTIAL

## CONSULTATION PAPER

### THE ORGANISATION OF EDUCATION IN INNER LONDON

#### Introduction

1. The Government wants the education service to become more responsive to the requirements of parents and employers. Some of the Government's principal educational initiatives bear directly on this objective - the delegation of financial responsibility to schools, more open enrolment, the establishment of grant-maintained schools and of City Technology Colleges are all particularly relevant. The influence of parents on the governing bodies of schools, and the powers of governors, are being enhanced by the Education (No 2) Act 1986. In higher education, the Government's proposal to re-establish the polytechnics and certain colleges as corporate bodies has as one of its main objectives the freeing of these institutions so that they can respond more rapidly to changing requirements.
2. The Government believes that in inner London special considerations apply which make it necessary to go still further towards ensuring responsiveness to local needs. The special circumstances of London have long been recognised. It has been argued that educational provision in the metropolitan area should be managed as a whole, with the resources to make available a wide range of provision to pupils and students who frequently travel across borough boundaries to receive education. But the logic of that argument leads in the direction of very large local education authorities (LEAs) which inevitably find it difficult to keep in touch with and match the requirements and aspirations of different areas. So far as outer London is concerned, this problem was resolved in 1965, when the outer London boroughs became the LEAs for their areas. They have now been carrying out education functions for nearly a quarter of a century.



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3. The position in inner London was long held to be different. It was argued that inner London's education had been planned and organised on a unitary basis since the 19th century and that individual inner London boroughs would be among the smallest LEAs in the country. Against this, there was severe criticism of the Inner London Education Authority (ILEA) on the grounds of its educational performance despite levels of expenditure far in excess of those of any other LEA in the country. The Local Government Act 1985 provided for the retention of a unitary authority. But the new ILEA has shown little sign that it is ready to tackle the root causes of its educational and financial problems.

4. The Government believes that the time has come to allow inner London boroughs the opportunity to demonstrate that they could provide an efficient education service within their areas. The forthcoming Education Bill will accordingly contain provisions designed to enable these boroughs to apply to become the LEAs for their areas. ILEA will continue to be the local education authority for the areas of those boroughs who do not choose to take advantage of this opportunity. The Government will of course continue to press ILEA to take the action necessary to improve its educational and financial performance.

5. This paper sets out the Government's proposals for the organisation of education in inner London. The comments of all interested parties are invited.

### BROAD OUTLINE OF THE LEGISLATIVE PROPOSALS

#### Timing

6. Boroughs would be invited to apply to assume education functions from 1 April 1990. This will mean that transfer of responsibility would coincide with the proposed introduction of the community charge and the Unified Business Rate. The legislation would not allow boroughs which become LEAs to opt back into ILEA.



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## Procedures For Opting Out

7. The legislation would provide that -
- (i) Inner London boroughs and the City of London would be able to apply to the Secretary of State to assume the education functions in relation to their area subject to a resolution to that effect by the full Council passed by a simple majority. It would be open to one or more boroughs to make a joint application proposing a joint education authority or joint education committee for their combined area.
  - (ii) The applications should be submitted by not later than 28 February 1989 and should be published and made available to the public.
  - (iii) It would be open to any interested party, including other local authorities, to submit objections to the application. These objections should be submitted to the Secretary of State within a period of one month after the receipt of the borough's application, and should be copied to the borough concerned.
  - (iv) The Secretary of State should, after consideration of the applications and any objections, be able to make provision by means of a statutory Order subject to the affirmative resolution procedure of both Houses of Parliament for the transfer of the functions of local education authority for its area to a borough (or boroughs - see (i) above) or the City of London from the ILEA. Such transfers would have effect from 1 April 1990. The Orders would provide for the establishment within the authorities concerned of "shadow" LEAs for an interim period - probably from 1 September 1989 - in which they would be able to make the necessary preparations for the transfer, including the transfer of staff, assets and liabilities.



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- (v) The Secretary of State would provide by statutory Order - subject to the negative resolution procedure of both Houses of Parliament - for the transfer from ILEA to the new LEAs of land, buildings and related assets and liabilities (see paragraphs 17-20 below).
- (vi) ILEA would be placed under a duty to supply any information required by the Secretary of State or by the boroughs with respect to their application, to cooperate with the boroughs in the transitional period and to obtain the Secretary of State's consent before undertaking certain transactions.
- (vii) Sections 18 and 19 and Schedule 9 of the Local Government Act 1985 would be amended so that the period of office of ILEA members for opted out boroughs would terminate on 31 March 1990, the Inner London Education Area would be redefined to exclude those boroughs, and the number of members of ILEA would be adjusted accordingly. Section 22 of the Act, which empowers the Secretary of State to review ILEA by 31 March 1991, would be repealed.

8. The timetable set out above is designed to lead to a transfer of responsibility for education in April 1990.

### Provision of Services

9. In considering an application from an inner London borough, the Secretary of State would require a detailed explanation of the way in which the borough would propose to fulfil its statutory duties if it became an LEA. The Secretary of State would need to be satisfied that the borough would be able to provide appropriate education for all its pupils and students,



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including those with special educational needs, and that it would be able to provide inspectorial and other support services to meet its statutory duties and to maintain educational provision of a high standard. Boroughs would also need to show that they expect to make effective provision for the youth service, including appropriate support of voluntary organisations, and for a careers service. In some cases - perhaps particularly that of the careers service - authorities may wish to combine their own provision with co-operative arrangements with other LEAs. Where inner London boroughs would expect to inherit institutions of London-wide or regional significance, particularly in the case of further education or adult education, the Secretary of State would expect a commitment on the part of the borough to maintain such provision. He is mindful of the good record which LEAs - including small authorities - have in this respect.

10. As soon as possible after Royal Assent, guidance would be provided by Circular on the information which would be required from an inner London borough to support an application. This is likely to include -

- projected numbers of pupils and students, taking account of the flows of pupils and students in and out of the borough, set against the institutions available and their capacity;
- the property which the borough proposes to inherit for this purpose (see paragraph 18 below);
- policy on the organisation of nursery, primary, secondary and further education, including detailed proposals for the future of institutions offering provision of regional or national significance;
- policy on the school curriculum, including the borough's plans to secure effective arrangements for the progressive implementation of the national curriculum;



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- the borough's approach to arrangements in hand in its schools and colleges under the education support grant, in-service training grant, and other specific grant schemes;
- policy on special educational needs, and the way in which the borough would propose to implement this - including arrangements for access to the services of educational psychologists - with projected numbers set against the institutional framework envisaged;
- the organisation proposed for the adult education service, the careers service, the youth service, the school health service, the education welfare service;
- the structure envisaged for the local inspectorate;
- the administrative organisation proposed;
- the recruitment procedure for the education department's central services;
- proposals for the establishment of an education committee in accordance with the provisions of schedule I to the Education Act 1944;
- information about the borough's overall financial situation.

11. Under existing legislation parents are entitled to seek places for their children in schools outside the LEA in which they reside, and students may similarly apply to colleges outside their area. These provisions will naturally apply in the case of any inner London borough which becomes an LEA. The arrangements for recoupment between LEAs will apply in London as elsewhere in respect of pupils and students attending schools and colleges outside their home LEA.



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## The City of London

12. Like the other inner London authorities, the City of London would be eligible to apply to become the LEA for its area. The Secretary of State assumes that if the City chose to take advantage of this opportunity it would wish to make joint arrangements with another LEA; for example a neighbouring LEA might provide most services on its behalf. The Secretary of State will be prepared to enter into separate consultation with the City as necessary.

### Staffing

13. The Secretary of State will also provide by Order for the block transfer to the new LEAs of the teaching staff linked to particular institutions in the boroughs concerned. This would mean that these staff would carry over their existing pay and conditions of employment. In the same way terms and conditions currently in force for lecturers in institutions of non-advanced further education would carry over to the new employers. Teachers not clearly linked to a particular institution, such as advisory and supply teachers or peripatetic teachers, would in general remain employed by ILEA, although it may be appropriate to provide for block transfer terms for those teachers the majority of whose work is at institutions in one of the new LEAs.

14. Certain categories of non-teaching staff, such as laboratory technicians and school secretaries, are clearly linked to particular institutions. It would be appropriate to provide block transfer terms for these staff. In other cases, such as school meals staff, it may be appropriate for the new LEAs to recruit directly to fill their staffing recruitments. There may be further cases, for example some youth service workers, where it might be appropriate to provide for the transfer of groups of staff in designated services, as happened in some cases at the time of the abolition of the Greater



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London Council. The Government envisages that detailed consultation will be needed before precise boundaries can be drawn in the case of non-teaching staff.

15. It would not be appropriate to provide for block transfer terms for most of ILEA's central staff (administrators, inspectors and other groups of professionals such as educational psychologists). The boroughs would therefore for the most part recruit directly for these posts, enabling them to decide from the outset the size and structure of this part of their work force. The Government however believes that it would be right to require the boroughs, when making appointments within this category, to consider applications from ILEA staff before making an appointment. The boroughs would not be compelled to appoint such applicants in preference to those from elsewhere but this process should assist the reduction in ILEA's staffing which will be required as a consequence of a reduction in the scale of the authority's operation.

16. Under the Local Government Act 1985 the London Metropolitan Government Staff Commission was set up to safeguard the interests of staff who would otherwise be made redundant by the abolition of the GLC and metropolitan counties. The Government's proposals to permit the transfer of education responsibilities will not lead to major staffing upheavals, but there will inevitably be issues arising which could best be dealt with by a similar Commission. The Commission might, for example, advise on the interfaces between block transfer, group transfer and individual recruitment by the opting out boroughs. Such a Commission would ensure that proper consideration was given to the interests of all the staff affected. Existing terms for compensation would remain in force for staff made redundant as a consequence of the proposals in this paper.



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## Transfer of assets

17. The Government believes that the arrangements for transfer of land and buildings, together with the equipment located on or in them and associated rights or liabilities including related debt charges, should reflect where possible those that worked successfully in the case of the abolition of the GLC and the Metropolitan County Councils. The guiding principles for the transfer procedure should be continuity in the operation of educational establishments, clarity about where the title to property lies, and neutrality with regard to third parties' rights or obligations in respect of the property transferred.

18. The basic rule in identifying the property to be transferred would be that all the ILEA property within the boundary of the opting out borough should transfer when that borough became an LEA. In putting forward its application for this purpose the borough would have a duty to provide a complete list of the property which it believed it should inherit, making use as necessary of powers to be included within the legislation which would require ILEA to make available any necessary information. There would however be exceptions to this basic rule, as follows -

- (i) Land or buildings which the new LEA did not propose to inherit would remain the property of ILEA.
- (ii) The Secretary of State would determine the ownership of any institution falling within the boundary of an opting out borough, but which was the subject of a request by ILEA - within the period of one month allowed for objections to the application (see paragraph 7(iii) above) - that it should not transfer to the borough.
- (iii) Where a borough could show that an ILEA establishment located outside inner London had provided regularly for a significant number of pupils or students



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resident in the borough, it would be open to it to argue that it should inherit that establishment in order to maintain a comprehensive service for its residents. This situation (like that described in (ii) above) could apply in the case of eg certain residential special schools. Determination of such cases would be a matter for the Secretary of State.

- (iv) In the case of an institution mainly based in an opting out borough but having some of its facilities located outside that borough, including for example cases where playing fields in one borough serve a school in another or in more than one borough, the following procedure would apply -
- The guidance to potential applicants (paragraph 10 above) would invite them to attempt to agree a solution with their neighbours in putting forward their application.
  - In the absence of agreement, the Secretary of State would in general be guided by the principle that institutions should remain as an entity, and that they should transfer to the predominant owner, using the location of the largest area of floor space as an initial criterion, but taking account also as appropriate of the intensity of use of each site (measured by pupil or student numbers). The latter criterion might be particularly appropriate in determining the ownership of playing fields. The Secretary of State would however have the power not to leave an institution with the predominant owner, if an overriding case had been made out by another authority for an exception to be made.



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- It would be open to the loser in any dispute to negotiate user rights in property located within its own boundaries or to which institutions located in its boundaries had traditionally had access. The relevant property Order might require the owner to make available such rights.

19. Fittings, furniture and equipment in both educational institutions and other premises would transfer with the property in or on which they were located.

20. ILEA would be required to vacate the relevant premises by 31 March 1990.

### Protecting the Interests of Opting Out Boroughs

21. The Government wishes to ensure that inner London boroughs taking on education responsibilities should inherit without serious encumbrance the assets which they need for effective operation. The Secretary of State accordingly announced in the House of Commons on 22 July 1987 that the forthcoming legislation would require ILEA to obtain his consent in advance to the following actions:

- any disposal of land or interests in land, including buildings, used or held or obtained for or in connection with the authority's education functions;
- any contract for a consideration having a value in excess of £15,000.

The requirement in relation to contracts does not apply in the case of the inner London polytechnics, which are subject to a regime being applied in the case of all the polytechnics and colleges which are to be re-established as freestanding corporate bodies.



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22. In discussion with ILEA the Department of Education and Science has agreed arrangements for applying this regime which are designed to facilitate the effective day-to-day operations of the authority, while allowing the boroughs with a legitimate interest in particular transactions an opportunity to make their views known. The Government's aim is to protect the interests of boroughs proposing to opt out and in operating these arrangements it will assess the possible need to take further measures should new circumstances arise.

### Other Government Policy Initiatives

23. The arrangements described in this paper will not affect the ability of schools' governing bodies to apply to the Secretary of State for grant-maintained status. Boroughs assuming education responsibilities in April 1990 will, like other LEAs, need to consider a scheme of financial delegation for the schools and further education institutions they will inherit. The Secretary of State will be prepared to receive representations from the boroughs on the question of the timetable to which they should be required to work.

### Financial Arrangements

24. From April 1990, a new system of local government finance will be brought into operation. Instead of raising business rates to finance spending in their own areas, every rating authority in England will levy a uniform business rate, the product of which will be distributed among authorities across the country according to their adult populations. In addition to a share of the national business rate, authorities will receive grant from the Exchequer so as to compensate for different levels of need and to contribute a fixed sum per person towards a standard level of services. The difference



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between this income and the expenditure of authorities in the area will be financed from the community charge together with domestic rates during the period 1990 to 1994.

25. Under this system, all inner London residents will benefit from central Government grant and a standard share of the national business rate in respect of education and other services. Local authorities in inner London will finance their total spending, after taking account of this income, from the community charge. ILEA will continue under these new arrangements to issue a precept for budgeted spending to boroughs which remain within it. They will meet this precept from the sources of income described above, including the community charge. Boroughs which choose to remain in ILEA should not therefore be adversely affected, under these arrangements, as a result of the decisions of other boroughs to opt out, providing ILEA makes commensurate savings in its overheads costs.

26. Under the new system, overspending on services will feed directly into the community charge. At ILEA's present levels of spending that would impose a considerable burden on community charge-payers in inner London. The Government is determined to use its power to limit rates and precepts to relieve the burden on inner London rate-payers over the next two years. It plans to phase in the charge over four years from 1990 so as to moderate the necessary changes in local spending and taxation. The new system of local authority finance will include powers to limit precepts and community charges. The Government believes, however, that it would be unfair in the early years of the new arrangements if those boroughs which opt out of ILEA were to be designated under such powers simply on account of the cost of services inherited from ILEA where they were actively seeking to reduce expenditure. Its scheme for community charge limitation will take account of this.



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27. If a borough is able to offer education more efficiently and effectively than does the remaining ILEA, it can pass the whole saving direct to its community charge payers. The Secretary of State is aware that several boroughs have announced their determination to provide a high quality education service at a realistic level of expenditure. He believes that the Government's proposals open the prospect of progress towards that objective.

**Consultation**

28. Comments are invited on the proposals set out in this document. They should be sent by 16 October to -

Mr P Cohen  
Department of Education and Science  
Room 3/54  
Elizabeth House  
York Road  
London  
SE1 7PH



EDUCATION : UGA PTS





CEBG

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Baker MP  
Secretary of State  
Department of Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

NBRM.  
7 September 1987

Dear Secretary of State,

OPTING OUT OF ILEA

I am responding to your minute of 20 August to the Prime Minister and to the draft consultation paper ~~attached~~ <sup>with draft/box</sup> to it.

I am content with your proposal not to refer to payments for redundancy or detriment costs at this stage and with your proposal to drop reference to provisions for "fines" for ILEA if they choose to off-load excess staff on opting out boroughs.

I can see why you wish to refer in para 27 to the position on community charge capping. However, since we have yet to settle the proposals on community charge capping, I would prefer the last 3 sentences to read as follows:

"The Government is considering whether the new system should also include powers to limit precepts and community charges. It believes, however, that it would be unfair in the early years of the new arrangements if those boroughs which opt out of ILEA were to be designated under any such powers simply on account of the cost of services inherited from ILEA where they were actively seeking to reduce. Any proposals for community charge limitation will take account of this."

I would prefer to delete the second sentence of para 6 which is unnecessary and confusing. Reassurance that opting out by Westminster and the City will not disrupt the financing of ILEA after 1990 is contained in para 26 which could, however, be strengthened by saying:

"Boroughs which choose to remain in ILEA will not be adversely affected, under these arrangements, as a result of the decisions of other boroughs to opt out, providing ILEA makes commensurate savings in its overhead costs."



The second sentence of para 8 is ambiguous as to when authorities would be expected to apply in order to opt out at a date after April 1990.

I would rather delete the words "gradually" and "specifically" in the first and second sentences of para 25. The first does not adequately reflect our transitional proposals and the second gives an inaccurate description of the present arrangements.

I am copying this letter to the other members of E(LF) and to Sir Robert Armstrong.

Yours sincerely,  
Deborah Lamb

PP NICHOLAS RIDLEY

(approved by the Secretary of State)  
(in draft & signed in his absence)



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From the Private Secretary

7 September 1987

Dear Tom,

OPTING OUT OF ILEA: CONSULTATION DOCUMENT

The Prime Minister has seen your Secretary of State's minute of 20 August to which was attached a draft consultation paper about organisation of education in inner London.

The Prime Minister had a number of comments, as listed in the note attached. She is otherwise content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to members of E(LF) and E(EP), Michael Saunders (Law Officers' Department) and Trevor Woolley (Cabinet Office).

Yours,

David.

(D.R. NORGROVE)

Tom Jeffery, Esq.,  
Department of Education and Science.

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**THE ORGANISATION OF EDUCATION IN INNER LONDON****Paragraph 8**

The Prime Minister would prefer not to say that it would be open to inner London boroughs to apply to assume responsibilities for education later than April 1990, and has asked that the last sentence of paragraph 8 should be deleted.

**Paragraph 15**

The requirement on the opting-out boroughs (line 9) that they must 'first' consider applicants from ILEA central staff apparently goes further than Mr. Baker's paper to E(EP) (of 23 July). That proposed only to 'require the boroughs to consider ILEA applications before making an appointment'. The word 'first' is ambiguous and seems badly chosen.

**Paragraph 19**

There is no reference here to protecting the movable assets of schools in boroughs likely to opt out, a subject that concerned E(EP).

**Paragraph 22**

E(EP) were also concerned that the counter obstruction legislation should deal with staff as well as other contracts. It may be worth making it clear in the consultation document that it will.

**Paragraph 27**

It seems right that the exemption from rate-capping should apply only where education expenditure is not above the level inherited from ILEA. Otherwise, a borough could opt out in the knowledge that it could raise education spending even higher without being rate-capped.

The Prime Minister agrees with the Chief Secretary (letter of 2 September) that it would be useful in the consultation paper to confirm that payments for detriment will be made where ILEA central staff take up posts in the boroughs at a lower salary level and also to refer to redundancy compensation for staff later made redundant by the ILEA itself.



PRIME MINISTER

## OPTING OUT OF ILEA

Mr. Baker has now circulated a draft consultation paper on opting out of ILEA.

This seems mostly acceptable. There are, however, a few points you might consider making.

Mr. Baker deliberately says nothing about payment for detriment where ILEA central staff take up posts in the boroughs at a lower salary level, or about redundancy compensation for staff later made redundant by ILEA itself. He argues that the financing needs to be sorted out first. The Chief Secretary has however pointed out that staff will need to be reassured that their interests will be protected, and the financing can be sorted out later. I recommend you to write in support of the Chief Secretary. *Agreed not*

The Cabinet Office have also suggested a number of points which - with one exception - may be worth passing on (minute below). The exception is the comment relating to paragraph 8, about the timetable. Cabinet Office raise the question whether boroughs should be able to change their minds and apply to opt-out after 1990, if, for example, their party control changes or the opted-out boroughs are seen to do well. This possibility was discussed at a very early stage, and rejected on the grounds that to allow boroughs flexibility in this way would be very difficult to manage and might encourage some boroughs to wait to see how others fared. It may be better to allow a second wave of changes two or three years after 1990, but not to announce this until much nearer the time. *Yes - delete last sentence of para 4.*

Content to write as proposed, but omitting the comment on paragraph 8? *Yes not*

D.R.

D. R. Norgrove

3 September 1987



CONFIDENTIAL

Reference No E 0387

MR NORRGROVE

Opting out of ILEA: Consultation Document

Mr Baker circulated a draft consultation document on 20 August. A few points struck me on it which you might like to consider mentioning to the Prime Minister.

Paragraph 8

2. Should boroughs which at first decide to stay in ILEA be able to change their minds and apply to opt out after 1990, if for example their party control changes or the opted-out boroughs are seen to do well? Ministers might well be attracted to this possibility but it is not at all clear whether paragraph 8 allows for it. In particular, it is not clear whether it overrides the requirement in paragraph 7(ii) that applications must be submitted by February 1989.

Paragraph 15

3. The ~~is~~ requirement on the opting-out boroughs (line 9) that they must 'first' consider applicants from ILEA central staff apparently goes further than Mr Baker's paper to E(EP) (of 23 July), ~~on the subject~~. That proposed only to 'require the boroughs to consider ILEA applications before making an appointment'. The word 'first' is ambiguous and seems badly chosen.

Paragraph 19

4. There is no reference here to protecting the movable assets of schools in boroughs likely to opt out, a subject that concerned E(EP).

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Paragraph 22

5. E(EP) were also concerned that the counter obstruction legislation should deal with staff as well as other contracts. <sup>It</sup> ~~is~~ <sup>maybe</sup> worth making it clear in the consultation document that it will

Paragraph 27

~~6. This paragraph is still subject to Mr Ridley's comments in particular.~~ But it seems right that the exemption from rate-capping should apply only where education expenditure is not above the level inherited from ILEA. Otherwise, a borough could opt out in the knowledge that it could raise education spending even higher without being rate capped.

✓ ↘

G W MONGER

Economic Secretariat  
Cabinet Office  
25 August, 1987







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CCBG



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP  
Secretary of State for Education and Science  
Department of Education and Science  
Elizabeth House  
York Road  
London  
SE1 7PH

2<sup>nd</sup> September 1987

Dear Ken,

**OPTING OUT OF ILEA: CONSULTATION DOCUMENT**

Your minute of 20 August to the Prime Minister invited comments on this draft consultation document.

You propose that the draft should say nothing about redundancy and detriment compensation to ILEA staff in advance of decisions about financing those schemes. ILEA staff of course have a right to redundancy compensation under their existing terms and conditions; and E(EP) decided that detriment compensation should be available to those who take jobs with opting out boroughs at lower salaries. There seems to me advantage in referring to these schemes, even in advance of decisions about financing, in order to reassure staff that their interests will be protected. There is otherwise a danger that the proposals will arouse unnecessary opposition from staff interests. What will matter to them in this context is that redundancy and detriment schemes will exist, not how they will be financed.

On financing, I have seen a copy of Tony Newton's letter to you of 25 August suggesting that central government assistance may be unnecessary. It will be important for the detailed proposal which you put forward on financing to take account of the scope for generating resources from disposal of surplus assets, which is anyway desirable in its own right.



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I have doubts about the proposed role for the EAB in opting-out (paragraph 21 of the draft). E(EP) invited you to consider further the best way of protecting the moveable assets of schools in opting-out boroughs. I am also concerned about the other two specific functions proposed for the EAB in your minute of 28 July to the Prime Minister. Transfer of title deeds and negotiation of user rights both seem more appropriate to agreement between opting-out boroughs and ILEA, with recourse to the courts as the ultimate sanction. I should therefore prefer to see that paragraph deleted.

I am copying this letter to the Prime Minister, to other members of E(LF) and E(EP), to Patrick Mayhew and to Sir Robert Armstrong.

*Yours Ever,  
John*

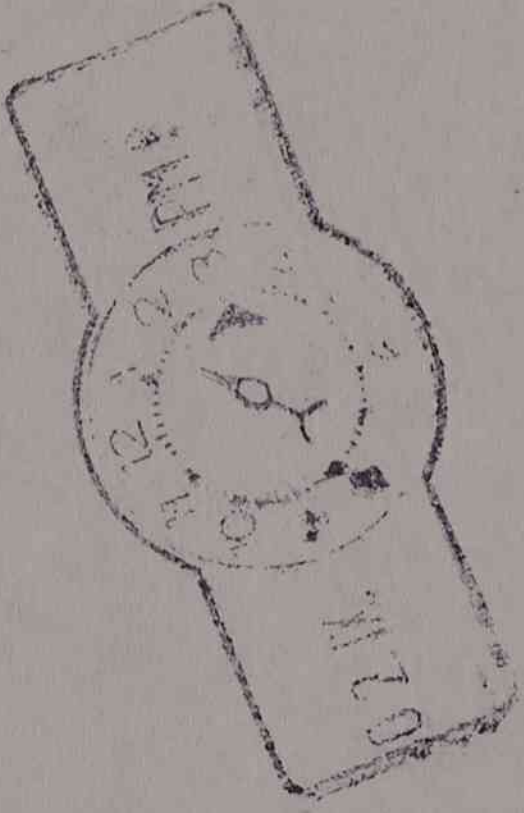
JOHN MAJOR



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**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**  
**Alexander Fleming House, Elephant & Castle, London SE1 6BY**  
**Telephone 01-407 5522**

*From the Minister for Health*

The Rt Hon Kenneth Baker MP  
Secretary of State for Education and Science

**25 AUG 1987**

*Ken*

*PLAP PTS 4+5*

I have now seen your 3 notes to the Prime Minister covering financial and staffing aspects of your proposals for opting out of ILEA. I am broadly content with these and in particular welcome your decision to stick to the later date for bringing the scheme into effect. I am sure that adopting the earlier date would have led to very real practical problems.

However, I do have some reservations about two aspects of your proposals: your preferred option for protecting opting-out boroughs from untoward effects of charge-capping, and your suggestion of a central grant to help with the once-for-all costs of rationalising Inner London's education services.

In relation to the former I consider that either of your first two options - generosity on redetermination or a separate but automatic designation on the same basis as we currently designate joint boards - would be more likely to deliver quickly the savings and improved efficiency we intend should flow from these proposals. Your preferred option might create space for the boroughs to duck difficult decisions for a year or so and distinguishing between genuine and wilful cases for the purposes of legislation may well prove problematic.

Your suggestion of a central grant to facilitate the rationalisation of educational services in Inner London generally has considerable attractions, particularly as the alternatives you identify might well further depress spending on personal social services in some boroughs where we are beginning to believe that services may already be seriously under-resourced. Having said that is there not the prospect of realising significant capital sums from the process of rationalising education services which must surely involve a reduction in the number of sites and hence the release of capital assets for disposal? If so would it not be possible to use these as the basis of a loan system to cover the once-for-all costs, rather than making yet another raid on AEG for specific grant funds? Perhaps officials could be asked to look at this further and report back.



**E.R.**

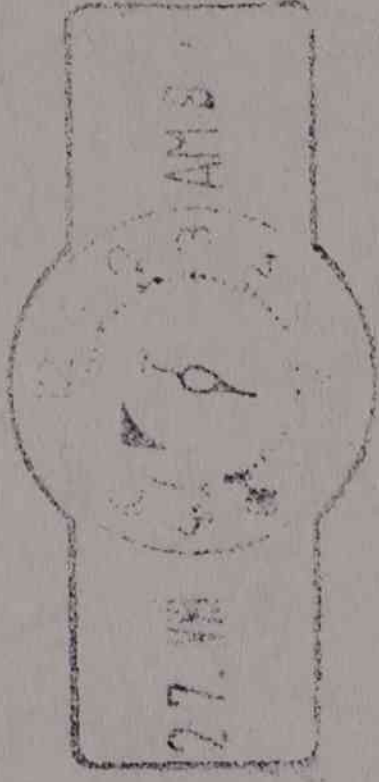
I am copying this to the Prime Minister, other members of E(LF) and E(EP) and to Sir Robert Armstrong.

*Yours ever,  
Tony*

TONY NEWTON

KW/DNo.8





Education

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Comments for Policy Unit  
or other depts

20/8

PRIME MINISTER

**OPTING OUT OF ILEA: CONSULTATION DOCUMENT**

I attach the draft of a consultation document on our proposals to allow inner London boroughs to opt out of ILEA. This follows closely the arrangements we have agreed in E(EP) and E(LF), but gives further details on a number of issues in particular the ground that will have to be covered in boroughs' applications to opt out. It has been seen in draft by officials in Departments with a close interest.

2. I should draw your attention particularly to two matters which we covered in earlier papers but on which the draft consultation document is silent -

- (i) The draft says nothing about payments for detriment where ILEA central staff take up posts in the boroughs at a lower salary level, or about redundancy compensation for those staff remaining with ILEA who will be surplus to requirements as a consequence of opting out. These questions are closely associated with that of a manpower control for ILEA, which we are to discuss in E(EP) early in September. Unless we have reached a view before the consultation paper issues on the way in which such payments might be financed, there is little to be gained by raising the subject in consultation.
- (ii) In our earlier consideration of the question of counter-obstruction I proposed that we might legislate to "fine" ILEA to the extent that it off-loaded surplus staff onto the opting out boroughs. John Major pointed out that there might be difficulties in applying such a "fine", and on reflection I have myself come to the conclusion that this is a sufficiently unlikely possibility for us not to need to provide against it in the Bill as introduced. It would be possible for us to reconsider this during the passage of the Bill if it appeared likely that ILEA were indeed unfairly loading the staffs of institutions in the opting out boroughs. It is not however a matter which the boroughs themselves see as a serious risk at present.

3. Paragraph 27 includes a passage in square brackets on community charge capping. I am very keen that we should say something on this, as it will be an important signal to the opting out boroughs and may indeed encourage some waverers to take the plunge. But what we say must clearly depend on where Nick Ridley has got to in formulating his proposals.



4. In order to allow a reasonable period for consultation, I must issue this document during the week beginning 7 September. I hope, therefore, that it will be possible to reach agreement on it in correspondence, although naturally if colleagues wish to discuss it early in September I shall be happy to do so. I should accordingly be very grateful if I could have any comments by not later than 4 September.

5. I am copying this minute to the other members of E(LF) and E(EP), to the Attorney General, and to Sir Robert Armstrong.

KS.

KB

Department of Education and Science

20 August 1987



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DRAFT CONSULTATION PAPER

THE ORGANISATION OF EDUCATION IN INNER LONDON

Introduction

1. The Government wants the education service to become more responsive to the requirements of parents and employers. Some of the Government's principal educational initiatives bear directly on this objective - the delegation of financial responsibility to schools, more open enrolment, the establishment of grant-maintained schools and of City Technology Colleges are all particularly relevant. The influence of parents on the governing bodies of schools, and the powers of governors, are being enhanced by the Education (No 2) Act 1986. In higher education, the Government's proposal to re-establish the polytechnics and certain colleges as corporate bodies has as one of its main objectives the freeing of these institutions so that they can respond more rapidly to changing requirements.

2. The Government believes that in inner London special considerations apply which make it necessary to go still further towards ensuring responsiveness to local needs. The special circumstances of London have long been recognised. It has been argued that educational provision in the metropolitan area should be managed as a whole, with the resources to make available a wide range of provision to pupils and students who frequently travel across borough boundaries to receive education. But the logic of that argument leads in the direction of very large local education authorities (LEAs) which inevitably find it difficult to keep in touch with and match the requirements and aspirations of different areas. So far as outer London is concerned, this problem was resolved in 1965, when the outer London boroughs became the LEAs for their areas. They have now been carrying out education functions for nearly a quarter of a century.



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It was argued that inner London's education had been planned and organised on a unitary basis since the 19th century and that individual inner London boroughs would be among the smallest LEAs in the country. Against this, there was severe criticism of the Inner London Education Authority (ILEA) on the grounds of its educational performance despite levels of expenditure far in excess of those of any other LEA in the country. The Local Government Act 1985 provided for the retention of a unitary authority. But the new ILEA has shown little sign that it is ready to tackle the root causes of its educational and financial problems.

4. The Government believes that the time has come to allow inner London boroughs the opportunity to demonstrate that they could provide an efficient education service within their areas. The forthcoming Education Bill will accordingly contain provisions designed to enable these boroughs to apply to become the LEAs for their areas. ILEA will continue to be the local education authority for the areas of those boroughs who do not choose to take advantage of this opportunity. The Government will of course continue to press ILEA to take the action necessary to improve its educational and financial performance.

5. This paper sets out the Government's proposals for the organisation of education in inner London. The comments of all interested parties are invited.

BROAD OUTLINE OF THE LEGISLATIVE PROPOSALS

Timing

6. Boroughs would be invited to apply to assume education functions from 1 April 1990. This will mean that transfer of responsibility would coincide with the proposed introduction of the community charge and the Unified Business Rate. By removing inner London's dependence on its present unevenly spread rate base, this will substantially remove the need for machinery to equalise London resources. The legislation would not allow boroughs which become LEAs to opt back into ILEA.



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Procedures For Opting Out

7. The legislation would provide that -
- (i) Inner London boroughs and the City of London would be able to apply to the Secretary of State to assume the education functions in relation to their area subject to a resolution to that effect by the full Council passed by a simple majority. It would be open to one or more boroughs to make a joint application proposing a joint education authority or joint education committee for their combined area.
  - (ii) The applications should be submitted by not later than 28 February 1989 and should be published and made available to the public.
  - (iii) It would be open to any interested party, including other local authorities, to submit objections to the application. These objections should be submitted to the Secretary of State within a period of one month after the receipt of the borough's application, and should be copied to the borough concerned.
  - (iv) The Secretary of State should, after consideration of the applications and any objections, be able to make provision by means of a statutory Order subject to the affirmative resolution procedure of both Houses of Parliament for the transfer of the functions of local education authority for its area to a borough (or boroughs - see (i) above) or the City of London from the ILEA. Such transfers would have effect from 1 April 1990. The Orders would provide for the establishment within the authorities concerned of "shadow" LEAs for an interim period - probably from 1 September 1989 - in which they would be able to make the necessary preparations



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- (v) The Secretary of State would provide by statutory Order - subject to the negative resolution procedure of both Houses of Parliament - for the transfer from ILEA to the new LEAs of land, buildings and related assets and liabilities (see paragraphs 17-20 below).
- (vi) ILEA would be placed under a duty to supply any information required by the Secretary of State or by the boroughs with respect to their application, to cooperate with the boroughs in the transitional period and to obtain the Secretary of State's consent before undertaking certain transactions.
- (vii) Sections 18 and 19 and Schedule 9 of the Local Government Act 1985 would be amended so that the period of office of ILEA members for opted out boroughs would terminate on 31 March 1990, the Inner London Education Area would be redefined to exclude those boroughs, and the number of members of ILEA would be adjusted accordingly. Section 22 of the Act, which empowers the Secretary of State to review ILEA by 31 March 1991, would be repealed.

8. The timetable set out above is designed to lead to a transfer of responsibility for education in April 1990. It would however be open to inner London boroughs to apply to assume responsibilities for education from a later date.

Provision of Services

9. In considering an application from an inner London borough, the Secretary of State would require a detailed explanation of the way in which the borough would propose to fulfil its statutory duties if it became an LEA. The Secretary of State would need to be satisfied that the borough would be able to provide appropriate education for all its pupils and students,



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including those with special educational needs, and that it would be able to provide inspectorial and other support services to meet its statutory duties and to maintain educational provision of a high standard. Boroughs would also need to show that they expect to make effective provision for the youth service, including appropriate support of voluntary organisations, and for a careers service. In some cases - perhaps particularly that of the careers service - authorities may wish to combine their own provision with co-operative arrangements with other LEAs. Where inner London boroughs would expect to inherit institutions of London-wide or regional significance, particularly in the case of further education or adult education, the Secretary of State would expect a commitment on the part of the borough to maintain such provision. He is mindful of the good record which LEAs - including small authorities - have in this respect.

10. As soon as possible after Royal Assent, guidance would be provided by Circular on the information which would be required from an inner London borough to support an application. This is likely to include -

- projected numbers of pupils and students, taking account of the flows of pupils and students in and out of the borough, set against the institutions available and their capacity;
- the property which the borough proposes to inherit for this purpose (see paragraph 18 below);
- policy on the organisation of nursery, primary, secondary and further education, including detailed proposals for the future of institutions offering provision of regional or national significance;
- policy on the school curriculum, including the borough's plans to secure effective arrangements for the progressive implementation of the national curriculum;



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- the borough's approach to arrangements in hand in its schools and colleges under the education support grant, in-service training grant, and other specific grant schemes;
- policy on special educational needs, and the way in which the borough would propose to implement this - including arrangements for access to the services of educational psychologists - with projected numbers set against the institutional framework envisaged;
- the organisation proposed for the adult education service, the careers service, the youth service, the school health service, the education welfare service;
- the structure envisaged for the local inspectorate;
- the administrative organisation proposed;
- the recruitment procedure for the education department's central services;
- proposals for the establishment of an education committee in accordance with the provisions of schedule I to the Education Act 1944;
- information about the borough's overall financial situation.

11. Under existing legislation parents are entitled to seek places for their children in schools outside the LEA in which they reside, and students may similarly apply to colleges outside their area. These provisions will naturally apply in the case of any inner London borough which becomes an LEA. The arrangements for recoupment between LEAs will apply in London as elsewhere in respect of pupils and students attending schools and colleges outside their home LEA.



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The City of London

12. Like the other inner London authorities, the City of London would be eligible to apply to become the LEA for its area. The Secretary of State assumes that if the City chose to take advantage of this opportunity it would wish to make joint arrangements with another LEA; for example a neighbouring LEA might provide most services on its behalf. The Secretary of State will be prepared to enter into separate consultation with the City as necessary.

Staffing

13. The Orders referred to in paragraph 7(iv) above would provide for the block transfer to the new LEAs of the teaching staff linked to particular institutions in the boroughs concerned. This would mean that these staff would carry over their existing pay and conditions of employment. In the same way terms and conditions currently in force for lecturers in institutions of non-advanced further education would carry over to the new employers. Teachers not clearly linked to a particular institution, such as advisory and supply teachers or peripatetic teachers, would in general remain employed by ILEA, although it may be appropriate to provide for block transfer terms for those teachers the majority of whose work is at institutions in one of the new LEAs.

14. Certain categories of non-teaching staff, such as laboratory technicians and school secretaries, are clearly linked to particular institutions. It would be appropriate to provide block transfer terms for these staff. In other cases, such as school meals staff, it may be appropriate for the new LEAs to recruit directly to fill their staffing requirements. There may be further cases, for example some youth service workers, where it might be appropriate to provide for the transfer of groups of staff in designated services, as happened in some cases at the time of the abolition

of the GLC.



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15. It would not be appropriate to provide for block transfer terms for most of ILEA's central staff (administrators, inspectors and other groups of professionals such as educational psychologists). The boroughs would therefore for the most part recruit directly for these posts, enabling them to decide from the outset the size and structure of this part of their work force. The Government however believes that it would be right to require the boroughs, when making appointments within this category, to consider first applicants employed by ILEA. The boroughs would not be compelled to appoint such applicants in preference to those from elsewhere but this process should assist the reduction in ILEA's staffing which will be required as a consequence of a reduction in the scale of the authority's operation.

16. Under the Local Government Act 1985 the London and Metropolitan Government Staff Commission was set up to safeguard the interests of staff who would otherwise be made redundant by the abolition of the GLC and metropolitan counties. The Government's proposals to permit the transfer of education responsibilities will not lead to major staffing upheavals, but there will inevitably be issues arising which could best be dealt with by a similar Commission. The Commission might, for example, advise on the interfaces between block transfer, group transfer and individual recruitment by the opting out boroughs. Such a Commission would ensure that proper consideration was given to the interests of all the staff affected.

Transfer of Assets

17. The Government believes that the arrangements for transfer of land and buildings, together with the equipment located on or in them and associated rights or liabilities including related debt charges, should reflect where possible those that worked successfully in the case of the abolition of the GLC and the Metropolitan County Councils. The guiding principles for the transfer procedure should be continuity in the operation of educational establishments, clarity about where the title to



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rights or obligations in respect of the property transferred.

18. The basic rule in identifying the property to be transferred would be that all the ILEA property within the boundary of the opting out borough should transfer when that borough became an LEA. In putting forward its application for this purpose the borough would have a duty to provide a complete list of the property which it believed it should inherit, making use as necessary of powers to be included within the legislation which would require ILEA to make available any necessary information. There would however be exceptions to this basic rule, as follows -

- (i) Land or buildings which the new LEA did not propose to inherit would remain the property of ILEA.
- (ii) The Secretary of State would determine the ownership of any institution falling within the boundary of an opting out borough, but which was the subject of a request by ILEA - within the period of one month allowed for objections to the application (see paragraph 7(iii) above) - that it should not transfer to the borough.
- (iii) Where a borough could show that an ILEA establishment located outside inner London had provided regularly for a significant number of pupils or students resident in the borough, it would be open to it to argue that it should inherit that establishment in order to maintain a comprehensive service for its residents. This situation (like that described in (ii) above) could apply in the case of eg certain residential special schools. Determination of such cases would be a matter for the Secretary of State.
- (iv) In the case of an institution mainly based in an opting out borough but having some of its facilities located outside that borough, including for example



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- The guidance to potential applicants (paragraph 10 above) would invite them to attempt to agree a solution with their neighbours in putting forward their application.
  
- In the absence of agreement, the Secretary of State would in general be guided by the principle that institutions should remain as an entity, and that they should transfer to the predominant owner, using the occupation of the largest area of floor space as an initial criterion, but taking account also as appropriate of the intensity of use (measured by pupil or student numbers). The latter criterion might be particularly appropriate in determining the ownership of playing fields. The Secretary of State would however have the power not to leave an institution with the predominant owner, if an overriding case had been made out by another authority for an exception to be made.
  
- It would be open to the loser in any dispute to negotiate user rights in property located within its own boundaries or to which institutions located in its boundaries had traditionally had access. The relevant property Order might require the owner to make available such rights.

19. Fittings, furniture and equipment in both educational institutions and other premises would transfer with the property in or on which they were located.

20. ILEA would be required to vacate the relevant premises by 31 March 1990.



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Education Assets Board

21. The forthcoming legislation will contain provisions establishing an Education Assets Board (EAB) to facilitate the transfer of assets in the context of the Government's proposals for polytechnics and colleges and for grant-maintained schools. The process of transferring educational responsibilities from ILEA will require decisions about property transfer which are no less complex than those arising in the other two cases. The remit of the EAB would accordingly include advising the Secretary of State on aspects of property transfer in the case of ILEA, and as necessary supervising the arrangements involved.

Protecting the Interests of Opting Out Boroughs

22. The Government wishes to ensure that inner London boroughs taking on education responsibilities should inherit without serious encumbrance the assets which they need for effective operation. The Secretary of State accordingly announced in the House of Commons on 22 July 1987 that the forthcoming legislation would require ILEA to obtain his consent in advance to the following actions:

- any disposal of land or interests in land, including buildings, used or held or obtained for or in connection with the authority's education functions;
- any contract for a consideration having a value in excess of £15,000.

The requirement in relation to contracts does not apply in the case of the inner London polytechnics, which are subject to a regime being applied in the case of all the polytechnics and colleges which are to be re-established as freestanding corporate bodies.

23. In discussion with ILEA the Department of Education and



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Science has agreed arrangements for applying this regime which are designed to facilitate the effective day-to-day operations of the authority, while allowing the boroughs with a legitimate interest in particular transactions an opportunity to make their views known.

Other Government Policy Initiatives

24. The arrangements described in this paper will not affect the ability of schools' governing bodies to apply to the Secretary of State for grant-maintained status. Boroughs assuming education responsibilities in April 1990 will, like other LEAs, need to consider a scheme of financial delegation for the schools and further education institutions they will inherit. The Secretary of State will be prepared to receive representations from the boroughs on the questions of the timetable to which they should be required to work.

Financial Arrangements

25. From April 1990, a new system of local government finance will gradually be brought into operation. Instead of raising business rates specifically to finance spending in their own areas, every rating authority in England will levy a uniform business rate, the product of which will be distributed among authorities across the country according to their adult populations. In addition to a share of the national business rate, authorities will receive grant from the Exchequer so as to compensate for different levels of need and to contribute a fixed sum per person towards a standard level of service. The difference between this income and the expenditure of authorities in the area will be financed from the community charge together with domestic rates during the period 1990 to 1994.

26. Under this system, all inner London residents will benefit from central Government grant and a standard share of the national business rate in respect of education and other services. Local authorities in inner London will finance their total spending



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after taking account of this income, from the community charge. ILEA will continue under these new arrangements to issue a precept for budgeted spending to boroughs which remain within it. They will meet this precept from the sources of income described above, including the community charge.

[27. Under the new system, overspending on services will feed directly into the community charge. At ILEA's present levels of spending that would impose a considerable burden on community charge-payers in inner London. The Government is determined to use its power to limit rates and precepts to relieve the burden on inner London rate-payers over the next two years. It plans to phase in the charge over four years from 1990 so as to moderate the necessary changes in local spending and taxation. The Government is considering whether the new system should also include powers to limit rates, precepts and community charges to curb excessive local authority spending. It believes however that it would be unfair to impose such arrangements on boroughs which opt out of ILEA and which are not overspenders on other services. It therefore proposes that in the early stages of the transition an inner London boroughs which is not spending excessively on services other than education would not be designated under any selective scheme.]

28. If a borough is able to offer education more efficiently and effectively than does the remaining ILEA, it can pass the whole saving direct to its community charge payers. The Secretary of State is aware that several boroughs have announced their determination to provide a high quality education service at a realistic level of expenditure. He believes that the Government's proposals open the prospect of progress towards that objective.

Consultation

29. Comments are invited on the proposals set out in this document. They should be sent by 16 October to -

Mr P Cohen  
Department of Education and Science  
Room 2/51



20. VII 3 PM 87





PART 4. ends:-

CST to SS/DGS 30.7.87.

PART 5 begins:-

SS/DGS to PM 20.8.87.



