

CONFIDENTIAL

cc master

SUBJECT

RECORD OF THE PRIME MINISTER'S MEETING WITH BARONESS YOUNG TO DISCUSS  
ILEA, HELD AT 10 DOWNING STREET AT 0900 HOURS ON THURSDAY 30 OCTOBER 1980

---

Lady Young explained that her Ministerial Committee had now held its final meeting. They had gone over the subject thoroughly. They had found much wrong with ILEA, especially the expense of its education even allowing for additional London costs. There would be a relevant report from the Inspectorate shortly. There was also the problem that the City and Westminster paid much of the cost but lacked decision-making power. Her Committee had looked for solutions which might meet the most glaring difficulties. The Baker and secession options were attractive but left significant problems over, for example, further and higher education, the viability of small boroughs, and the loss of the redistributive effect on rate income. The educational effect was problematic. The Committee had therefore favoured a unitary solution. After discussion, discarding a school board arrangement, they had reached a preference for a variant of the Marshall option.

To tackle the problem of giving weighting to the major contributing rate payers, the proposed composition was an authority with two members from each borough, the remaining membership based on proportion of population, and inbuilt minority representation. This unusual procedure could be justified because ILEA was never intended as an electoral area. It was a grouping of boroughs. The precise political implications were still being considered.

The Committee had looked at various financial blocking mechanisms. Its report would simply note the alternatives and the constitutional principles involved.

Lady Young said that her firm conclusion was that there would be no political advantage in dismantling ILEA, and that there would be the problems of the break up to contend with. She had had many personal approaches from Conservatives arguing for retention of a unitary authority. During the Party Conference, Sir Horace Cutler had told Mr. Carlisle that he no longer favoured break up. The new

/ block grant

CONFIDENTIAL

CONFIDENTIAL

- 2 -

block grant system would cut costs and many Labour MPs agreed that cost cutting was necessary. The fundamental problem was that of redistribution of money in inner London.

In discussion, the Prime Minister made clear that her prime concern was the domestic rating burden on one or two residential inner London boroughs. She considered this undemocratic and confiscatory. But she would not support a change unless it would have positive advantages, and would deal with the main mischiefs of the system. She thought it possible to devise a system of two authorities, leaving the City of London in ILEA, but putting other contiguous boroughs together. She still felt that the status quo could not simply be left. The real solution might be the abolition of rates. ILEA could be given a budget like any other Government Department. But she recognised that this was outside the remit of Lady Young's Committee. She did not accept that an opting out arrangement was impossible. Change was always resisted but it would not necessarily prove even difficult. Lady Young argued that some way of supporting the poorer boroughs was necessary, although an arrangement leaving the City of London to help subsidise them might be conceivable. In political terms, there was no way of getting a Conservative majority in ILEA. But the present pattern of constituencies within the GLC meant that the Conservative vote was not fairly reflected on ILEA. ILEA was effectively supported by the rate payers of four boroughs. It was difficult to create fundamental change unless there was a basic switch to taxation.

The Prime Minister said that she had seen ILEA preside over the destruction of much that was good in inner London education. This was in part because of the lead given by central government in the late 1970s. But ILEA, with its massive resources, ought to have been able to create excellence in some areas. Yet she was receiving comments such as those of the Royal Institution, who pointed to the lack of any math specialism in London. Secession might conceivably allow one or two top-rate special schools in London, who could draw some children from other boroughs.

/ Lady Young

CONFIDENTIAL

CONFIDENTIAL

- 3 -

Lady Young recognised the lack of individual top quality schools at the secondary level in ILEA. Whatever arrangement was now tried, there could be no guarantee of the benefits which might grow from changes. If the Government was prepared to consider raising a £90 million London education budget from tax, this would be an entirely different exercise. One might contemplate one or two schools run directly by the DES, but this was unprecedented and would require legislation.

Lady Young said that she was now hesitant about the politics of change in ILEA. She was not sure whether this was an election winner. Presentationally, it might be prudent to move to a Green Paper, showing the disadvantages and options. Having heard the Prime Minister's views on the central financial problems, she would now set in hand much more work on the financial implications of any change. She herself favoured, for example, an arrangement which would allow boroughs to limit their contribution to ILEA above a certain level, although her officials were most unenthusiastic about this.

MA

3 November 1980

CONFIDENTIAL

cc Master Set

W.M. a CO  
HO

File 274

Education



## 10 DOWNING STREET

*From the Private Secretary*

29 October 1980

Lady Young called on the Prime Minister this morning to report on the work of the Ministerial Committee on ILEA.

Lady Young explained the problems identified by the Committee, and the options considered to meet these. She said that the Committee would commend a variant of the Marshall Option as the most practicable approach to the ILEA difficulties. The recommended composition would be two members from each borough, with the remaining membership proportionate to population. There would be inbuilt minority representation. These unusual arrangements could be justified on the basis that ILEA had never been designed as an electoral area but was a group of boroughs.

Lady Young explained that the group had also considered various financial blocking mechanisms. The group's report would note the alternatives and the constitutional problems raised by them.

In the course of a lengthy discussion, the Prime Minister made it clear that she remained uneasy about the scope of financial redistribution from a small number of inner London boroughs - particularly those with high rated residential areas - to other boroughs. She would find it easier to accept this state of affairs if ILEA was producing even one or two secondary schools of particular excellence, but this was not the case. She would be loath to adopt recommendations for change which entirely preserved the single authority and offered no incentives to greater excellence in the system. She was also opposed to change for its own sake: she hoped that there would be no decision to make major changes unless there were clearly important benefits to be achieved.

Lady Young confirmed that she had herself become much more convinced of the defects of the present system in the course of the group's work. But there were very great problems with all possible alternatives, and none of the options guaranteed to correct the major defects.

The Prime Minister and Lady Young agreed that the unfairness of the rating system was fundamental to the problems they perceived with ILEA. The Prime Minister recognised that changes to the rating system were outside the remit of Lady Young's group.

/Lady Young

W.M. a CO  
HO

CS

CONFIDENTIAL

- 2 -

Lady Young undertook to commission further work on possible financial arrangements. She personally saw some attraction in a blocking mechanism which would allow individual boroughs to call a halt when their contributions reached a certain level.

I am sending copies of this letter to Stephen Boys-Smith (Home Office) and David Wright (Cabinet Office).

M. A. PATTISON

Miss A.J. Stewart,  
Department of Education and Science.

CONFIDENTIAL