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P 02807

PRIME MINISTER

E(EP)(87)4th Meeting, 9.30 am on 30 July

Opting-out of ILEA: Staffing aspects

Mr Baker's minute of 23 July

CONCLUSIONS

Mr Baker's minute puts his proposals for the ILEA staff affected by opting-out from ILEA by Inner London boroughs. He wants to initiate consultations on these proposals, as part of a consultative paper on ILEA generally, before the end of the summer holidays.

MR BAKER'S PROPOSALS

2. The figures in the paper are not clear. The main ones seem to be:

Full-time equivalent staff

	Total ILEA	Number related to boroughs likely to opt out (1)
Teaching	29,000	6,000 =
Non-teaching (manuals, technicians, etc.)	25,000	5,000 =
Central (County Hall staff, Inspectors, etc.)	5,000	1,000
Mainly polytechnics (to transfer to new sector)	6,000	-
Total	65,000	12/13,000

(1) Kensington and Chelsea, Wandsworth, Westminster and the City.

3. Mr Baker proposes:

- Teaching staff: block transfer, that is, they are all to transfer with existing terms and conditions.
- Non-teaching staff: some, the more institution-related, also to receive block transfer, for the others the opting out boroughs to recruit as they wish.
- Central staff: boroughs to recruit as they wish.
- Opting out boroughs to be encouraged to recruit ILEA staff not subject to block transfer by being required to consider them before making an appointment.
- ILEA staff recruited to the opting out boroughs on inferior terms to receive compensation for detriment.
- a small Staff Commission (on the GLC model) to "oil the wheels of staff transfer".

As to financing, while Mr Baker does not make a clear cut recommendation he clearly favours a specific Exchequer grant to cover the cost of ILEA compensation and redundancies (which could be £40 million).

COMMENT

Teaching staff

4. Block transfer would ensure all ILEA teachers a continuing job, whatever their abilities. According to Mr Baker, this is necessary to avoid disruption, and the opting-out boroughs recognise this. They would then sort out undesirable staff in their own good time. An alternative would be for opting-out boroughs themselves to be free to decide the terms of transfer. If, as Mr Baker says, they think block transfer is necessary they can choose it; if not, not. They could have a more flexible arrangement, with continuity assured only for selected groups or schools, according to their own

circumstances. The absence from the legislation of a general assurance on transfer could obviously, however, be very controversial with the teachers.

Staff not receiving block transfer

5. Mr Baker proposes that opting out boroughs should be 'encouraged but not obliged' to recruit ILEA staff not receiving block transfer. His paper suggests that they should be required to consider ILEA applicants before making an appointment. If (as claimed) the boroughs are happy with this, it seems a reasonable compromise which would still leave the boroughs free to decide who to appoint. But you will want to be sure that it would not involve the boroughs in extensive arguments or even appeals to the courts.

6. Mr Baker also proposes that ILEA staff recruited to the boroughs on inferior terms should receive compensation for detriment, in order to encourage them to transfer and so reduce the problem of overmanning in rump ILEA. Detriment compensation is cheaper than redundance compensation. But is it right to compensate ILEA staff for the loss of salaries which are excessive?

Financing

7. Mr Baker's main concern is with redundancy costs for ILEA staff made redundant by the opting out or by the restructuring he thinks is necessary anyway and wants to bring about. He discusses four ways in which the costs might be borne:

- (a) By the opting out boroughs. He rejects this on the grounds that it would be a disincentive to take on ILEA staff, thus worsening the staff problem in the rump ILEA;
- (b) By rump ILEA. He says this would be inequitable and resented by residents there.

(c) By an equalisation mechanism to spread the costs across the whole of the present ILEA. But this would be resented by the opting out boroughs and mean complicated primary legislation.

(d) By a specific Exchequer grant, combined with either (b) or (c). Mr Baker favours this, although he does not make a clear-cut recommendation (this too would require new statutory provision).

8. On (d), you may want to ask why the taxpayer should have to pay for the cost of dealing with ILEA over manning. It could be very repercussive to accept responsibility for overmanning in a particular local authority, and the Treasury are likely to oppose a grant for ILEA's problems. You might therefore explore further the case for (b), which would be the simplest mechanism administratively. Leaving the cost with ILEA could encourage opting out. If boroughs stay in ILEA they would do so with their eyes open as to the cost, and be answerable to their electorates for incurring it.

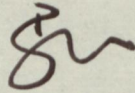
9. Mr Baker also throws out in his covering minute (para 6) the idea of help to the opting out boroughs for the different problem of the overmanning inherited from ILEA. This is perhaps more attractive than the idea of helping ILEA and would follow the precedent of special help for GM schools also inheriting overmanning. But it is not developed or costed - on the face of it the cost could be much higher than the £40m quoted for the ILEA scheme. If the idea interests you, you could ask DES to prepare a properly defined and costed scheme, with the Treasury and DOE, and agree it if possible without further collective discussion. There is time for this, since DES still have to draft and circulate their consultative document.

HANDLING

10. You will wish to invite the Secretary of State for Education and Science to present his paper. The Chancellor of the Exchequer or the Chief Secretary, Treasury will wish to comment on the

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financial implications, especially of the proposed grant. The Secretary of State for Wales is the responsible Minister in Wales.



J B UNWIN

Cabinet Office
28 July 1987

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