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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

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Reference No E 0387

MR NORGROVE

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 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. ^{It} ~~is~~ ^{maybe} ~~it~~ 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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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~~ ^{with draft/box} 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

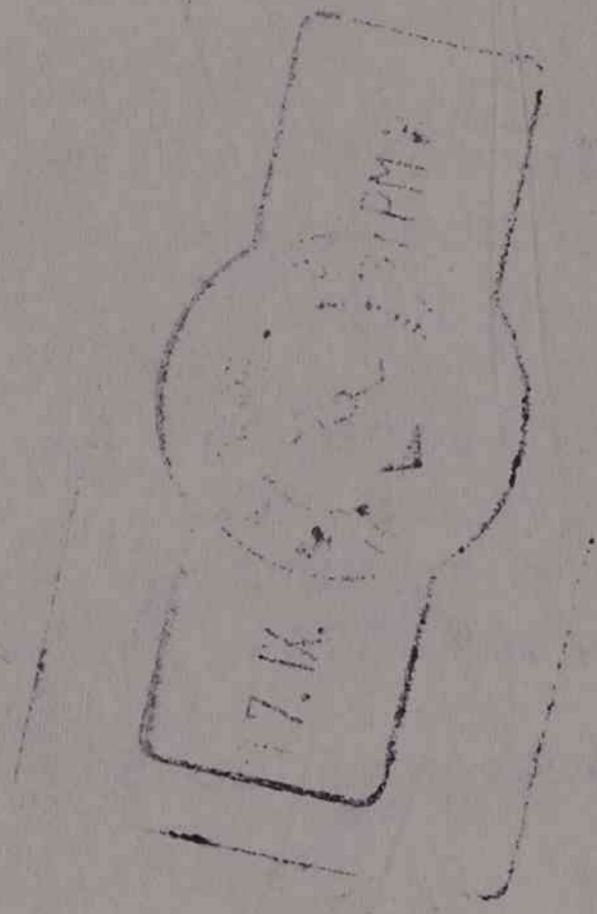
pp NICHOLAS RIDLEY

(approved by the Secretary of State)
(in draft & signed in his absence)

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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

2nd 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.

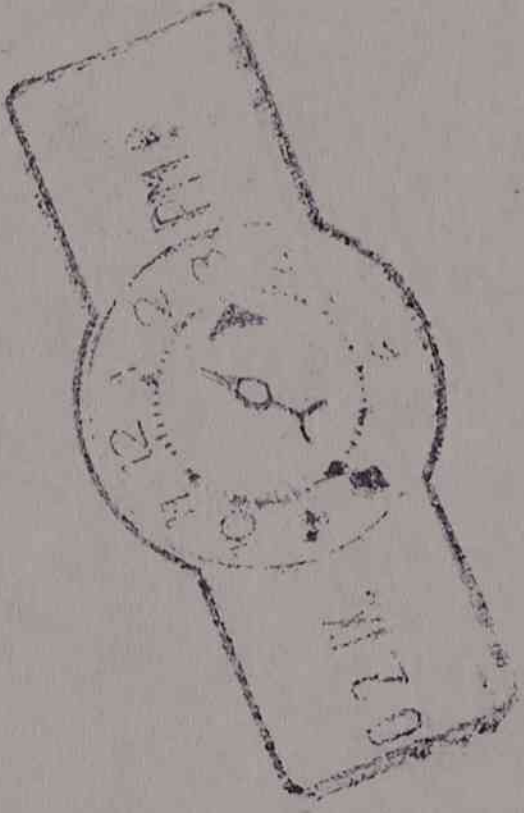
*Yours Ever,
John*

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.

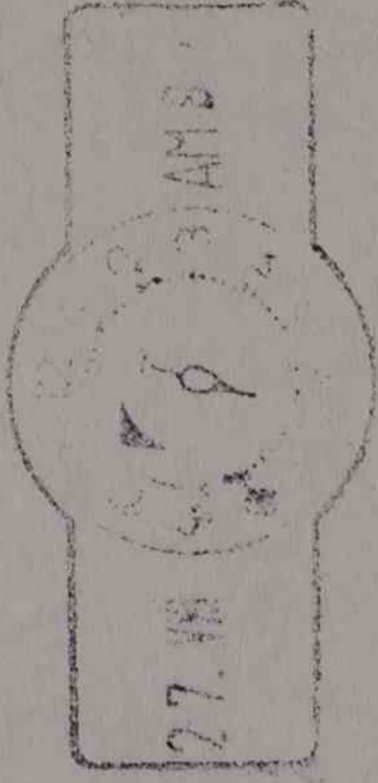
E.R.

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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