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B/F 24.9.67
Amy P. U. camera

PRIME MINISTER

OPTING OUT OF ILEA: MAINTAINED FURTHER EDUCATION

~~E(EP)(87)~~ ^{ATTACHED} 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.

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17 September 1987

Department of Education and Science

