

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.

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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

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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.

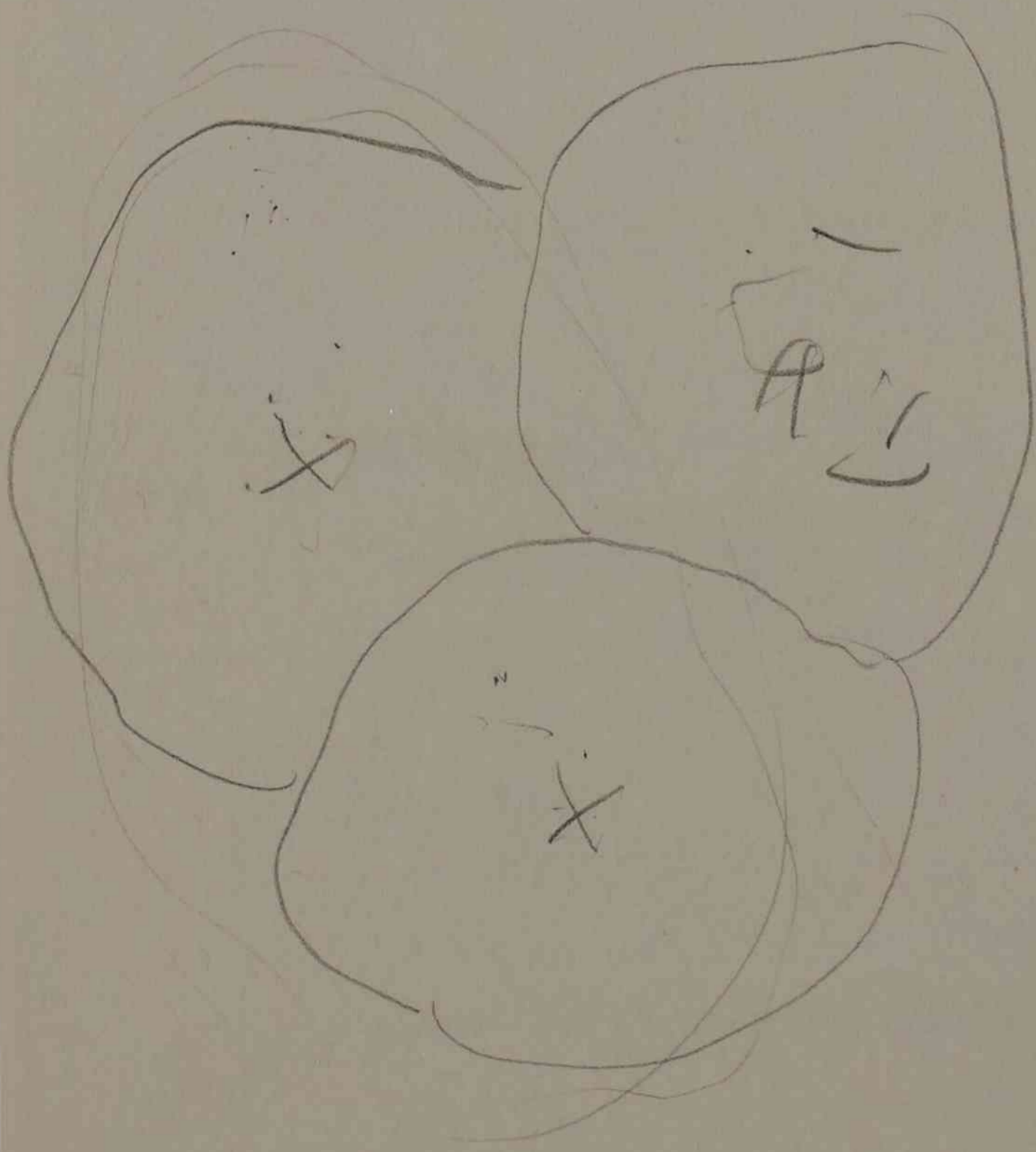
2. The main arguments for and against abolition in principle are political. But Mr Baker's paper sets out a long list of detailed proposals in paragraphs 14, 15 and 16 which you may wish to check through. In particular:

- 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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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>k</sup> to 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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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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