

PRIME MINISTER

TRANSITION TO THE COMMUNITY CHARGE

It would be worth spending some time at the start of the meeting on presentation of the Government's case. The argument is at present going the way of the opponents of the community charge, which is receiving virtually no support in Parliament, in the press or even from Conservative controlled councils. It is vital that the Government should now mount an effective campaign. This could have three main parts:

- (i) The Whips are already mounting a campaign to encourage supporters of the changes to speak out in the House. This will need to be kept up for several months.
- (ii) Senior backbenchers in particular need to be mobilised to speak out, particularly outside the House, people like Sir Peter Hordern, Sir Michael Shaw, and Sir Giles Shaw; you might ask the Chief Whip and Mr. Ridley to take this on.
- (iii) The DOE should set up a small publicity unit to run the campaign, with an input from Bernard. This should be able to respond instantly, and at local level where necessary, to criticisms and mis-information. The Conservative Party needs to be involved, especially to rally the doubters among your supporters in local government.

ILEA

Mr. Baker's paper takes opting out of the ILEA only a little further forward. The next paper really must get to grips with the practical aspects of the proposal, in some detail.

£350m.
£905m.
£586m.

In particular, Mr. Baker's paper offers no comfort or ideas for tackling the effects of the ILEA on the community charge in London. He points out that the new system of local authority finance will substantially remove the problem of how to equalise London resources (mainly because the unified business rate will equalise rate poundages and redistribute money according to population). But the opting out of Kensington and Chelsea and other boroughs may still increase rather than reduce the problem of the community charge in the rump ILEA. Kensington and Chelsea is likely, ^(destitute) for example, to have fewer children in relation to its adult population than Camden or Islington and almost certainly the ILEA overspends by more on schools in Tower Hamlets than it does on schools in Westminster.

There are no magic solutions to reducing ILEA overspending. But it would be helpful in developing approaches to know where the overspending arises. I understand for example that it arises more on things like the youth service, adult education, non-teaching costs and administration than directly on teaching activities in schools. You might ask Mr. Baker to circulate a note.

A small suggestion both for the ILEA and also for LEAs generally might be to try to create a greater opportunity for schools and parents to put pressure on their authorities to reduce central costs. At present there are no figures on which people can focus their criticisms and discontent. LEAs could be required to allocate out to schools and other end-users their entire income. The LEAs would then in a book-keeping transaction charge schools for central administration, the school inspectorate and so on. The charges would be fully displayed in the accounts of each school. The Audit Commission could issue guidelines on best practice costs for these functions, against which head teachers and parents could judge the performance of their LEA.

ILEA.

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Community Charge

Mr. Ridley does not argue the case for moving straight to the community charge. He simply asserts it. But a transition could well help the ~~wider~~ London problem.

Assuming that a transition is undesirable, Mr. Ridley opens up the possibility of special transitional help to ease the way into the community charge in high community charge areas. This would have a high public expenditure cost. It might alternatively be possible to take action on the revenue side. Possibilities include:

- an "ILEA surcharge" on business rates in London; or
- a change in the basis for distributing the unified business rate so that it would include (in London alone or generally) an element reflecting levels of expenditure as well as population.

DCV

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1 July 1987