

REF: A04052

PRIME MINISTER

Prime Minister
 Lady Young has been
 invited.

MAP

FUTURE OF THE INNER LONDON EDUCATION AUTHORITY
 (C(81) 6)

BACKGROUND

1. Cabinet on 8 January invited the Secretary of State for Education and Science, in consultation with the Home Secretary, the Chancellor of the Exchequer and the Secretary of State for the Environment, to give urgent consideration to ways in which control of the ILEA might be strengthened, and to other changes which might be made in the structure and financing of the education service in London (CC(81) 1st Conclusions, Minute 4). Since then, two meetings have been held under the Chancellor's Chairmanship.
2. In C(81) 6, the Secretary of State recommends against the total breakup of the ILEA, a view now shared by the Government's supporters on the Authority. Partial breakup, allowing individual boroughs to secede by a given date and then to operate either individually or conjointly, and with responsibility either for schools alone or for all LEA functions, would still have educational disadvantages. It would create damaging uncertainty for education and local government. Fundamental changes in the London equalisation arrangements would be required if support through block grant were not to be increased to compensate for the probable secession of Westminster and the City. Other devices to reduce the power and increase the accountability of the ILEA might be to allow individual boroughs to assume responsibility for, say, schools; to give each borough a veto over major changes in its area; or to give the boroughs primary responsibility, leaving a co-ordinating role to the ILEA. All these would involve divided responsibility and an extra layer of bureaucracy. They would not necessarily save money and they would not add to the Secretary of State's powers, for example to protect



church schools. Constitutional change as recommended by IL Committee (the Marshall Option) would tend to leave the majority on the ILEA in a stronger position. Direct elections would be unpredictable in their outcome, and a single service authority would have little incentive to economy. The Secretary of State concludes that none of the alternatives to the status quo offers sufficient prospect of improved educational performance and financial responsibility to justify the controversy and disruption involved in bringing it about.

3. Further financial controls on the ILEA would require legislation.

This could not be achieved for 1981/82. Under block grant, the overspending boroughs grant loss is redistributed to other authorities. In 1981-1982, the ILEA will in this way lose some £70 million in grant. The problem is not confined to the ILEA. For the future, there are strong arguments against proposals to limit individual authorities' expenditure or rate income directly because of the dangers of a Clay Cross-type confrontation. But there are possibilities for improving control indirectly, in particular differential precepting by population above a threshold or a maximum level of precept on non-domestic ratepayers. The Secretary of State for the Environment will be putting a paper to colleagues shortly on measures which might be taken in 1982-1983 if the block grant arrangements prove not to have the intended effect on the ILEA and other authorities.

4. The Leader of the GLC broadly endorses the views of the Education Secretary and agrees that an early announcement on the central issue of the review would be advantageous. The Secretary of State suggests that this should be made before 10 February, when the ILEA is due to approve its budget and precept for 1981-1982. Timing points to an oral statement rather than a White Paper, perhaps supplemented by explanatory material circulated in Hansard. A Green Paper would not be appropriate.

Not want break up
ILEA

Leds

Tr. Sec.
Ind. Sec.
AP. Sec.

HANDLING

5. You will wish to invite the Secretary of State for Education and Science to introduce the discussion. The Cabinet might then look separately at structure, financial controls, and the form and timing of an announcement.

i. Structure

The arguments against the Marshall Option, direct elections and other devices short of break-up or secession appear strong. You will wish to press the Secretary of State for Education and Science on the strength of the arguments against break-up. Are there individual boroughs or groups of boroughs which could assume responsibility for at least part of the education service? Would they wish to do so? Could satisfactory financial arrangements be devised? You will want the views of the Secretary of State for the Environment (neither he nor Mr Kenneth Baker favour retention of the status quo), the Chancellor of the Exchequer and the Home Secretary.

Green or white Paper

ii. Financial Controls

Does the Cabinet agree that it is too late to legislate in respect of 1981/1982? The Chancellor of the Duchy of Lancaster and the Chief Whip will wish to comment. It would seem sensible to look at the problem of future years in the context of local authority expenditure generally. Presumably the Secretary of State for the Environment's proposals will be considered first by E Committee. How soon does he expect to put a paper forward?

Limiting
other things

iii. Timing

The Cabinet was previously inclined to favour an early announcement. It would be possible to confine this to the structure of the ILEA, making clear that the Government was considering separately what might be done about overspending local authorities. The Chancellor of the Duchy of Lancaster and the Chief Whip may wish to comment on the case for an oral statement. It is not clear why considerations of timing should rule out a White Paper published at the same time, drawing on the extensive work done by the Committee of junior Ministers under the Minister of State, Department of Education and Science.

CONCLUSIONS

6. The Cabinet will need to reach a clear decision on whether to retain a single education authority. You will want to record specific conclusions on the merits of the Marshall Option, direct elections, and the other devices identified by the Secretary of State for Education and Science and his colleagues. The Cabinet might agree that the question of further financial controls should be considered in the context of overspending local authorities generally and invite the Secretary of State for the Environment to bring early proposals to E Committee. The Cabinet might agree that their decisions should be announced in an oral statement by the Secretary of State for Education and Science, which might be supported by a White Paper.

REA

ROBERT ARMSTRONG

21 January 1981