

PRIME MINISTER

ILEA STATEMENT

cc Mr Gow
Education
[Signature]

Mr. Carlisle's statement passed off quietly in a sparsely populated House. Opposition Members generally welcomed the decision, argued that it had been reached by the wrong route, and complained that Mr. Carlisle was being ungracious on the better aspects of ILEA's educational performance, and threatening about its future finances. Government Members welcomed the decision as the result of a balanced process of review, but expressed varying degrees of concern about the financial outlook.

Mr. Kinnock's righteous indignation was out of tune with the mood of the House. He wanted to know whether the exercise had been fired by Tory prejudice or simply by your obsessional dislike of ILEA and determination to break it up. He sought to justify ILEA's specially high level of expenditure, and commended the Authority for its valiant resistance to Government cuts. Ron Brown felt that the closure of three schools in his constituency showed that ILEA was adjusting to falling rolls. Douglas Jay asked how much time and money had been wasted on the exercise - the reply was "not much, I think". Christopher Price congratulated Mr. Carlisle on his success in defeating a combination of you and his Parliamentary Under-Secretary, and suggested that the Inspectorate would find similar problems if it studied educational performance in any other inner city area. At the end of the exchanges, Tom Cox, Frank Dobson, Alf Dubs and Martin Flannery successively tried to raise the temperature, and argued that the exercise had been damaging to morale and involved prejudiced bullying.

From the Government side, Brandon Rhys Williams welcomed the decision but asked for an immediate ceiling on the ILEA budget, given the reports of spending intentions for 1981/82.

/David Mellor

David Mellor and William Shelton were alarmed by reports of the draft Labour Manifesto. Martin Stevens wanted the appointment of head teachers to be devolved to the ILEA sub-regions.

Alan Beith briefly suggested that direct elections would be the correct answer to the accountability problems. Mr. Carlisle replied that a directly-elected ILEA would not be in a position requiring its members to assess the relative value of more money for education against alternative claims.

The ILEA structure issue is now likely to drop out of sight in Parliamentary terms. Both sides of the House may come back on its finances, and the Opposition may from time to time attempt to recall this as an occasion where your views have not prevailed within Government. But I doubt whether there will be any great continuing interest.

MAP

4 February 1981

Education

STATEMENT ON THE FUTURE OF THE ILEA

1. WITH PERMISSION, I WISH TO MAKE A STATEMENT ON THE OUTCOME OF THE GOVERNMENT'S ENQUIRY INTO THE FUTURE OF THE INNER LONDON EDUCATION AUTHORITY.

2. THE ILEA IS THE LARGEST LOCAL EDUCATION AUTHORITY IN ENGLAND. AMONG SUCH AUTHORITIES ITS COMPOSITION IS UNIQUE. IT PRECEPTS FREELY AND WITHOUT RESTRAINT ON THE RATEPAYERS OF THE INNER LONDON BOROUGHS AND THE CITY OF LONDON. IN PRACTICE IT SPENDS MUCH MORE MONEY PER PUPIL THAN ANY OTHER ENGLISH AUTHORITY WITHOUT THEREBY ACHIEVING A SATISFACTORY PERFORMANCE FOR MANY OF ITS SCHOOLS, PARTICULARLY ITS SECONDARY SCHOOLS AS WAS SHOWN IN THE HMI REPORT ON ILEA. THE PURPOSE OF THE ENQUIRY WAS TO SEE WHETHER THIS SITUATION COULD BE IMPROVED BY ALTERING THE CONSTITUTIONAL ARRANGEMENTS FOR PROVIDING EDUCATION IN INNER LONDON.

3. THE FUNDAMENTAL ISSUE FOR THE ENQUIRY WAS WHETHER ILEA SHOULD BE BROKEN UP. THERE IS A CASE FOR GIVING SOME RESPONSIBILITY FOR EDUCATION TO THE INNER LONDON BOROUGHS. THERE IS ALSO A CASE FOR RETAINING A SINGLE AUTHORITY IN THE LIGHT OF LONDON'S PAST DEVELOPMENT AND ITS SYSTEM OF LOCAL GOVERNMENT. BUT THE OVERRIDING FACTORS ARE EDUCATIONAL AND FINANCIAL. THE WEIGHT OF EDUCATIONAL OPINION, INCLUDING THE VOLUNTARY BODIES AND THE CHURCHES, IS THAT THE PROBLEMS OF INNER LONDON CALL FOR A SINGLE AUTHORITY OF ADEQUATE SIZE AND WITH ADEQUATE RESOURCES TO ADMINISTER ITS SCHOOLS AS WELL AS FURTHER AND HIGHER EDUCATION, AND THE CAREERS SERVICE; AND THAT RESPONSIBILITY FOR THE SCHOOLS SHOULD NOT BE SEPARATED FROM THE REST OF EDUCATION. THE GOVERNMENT SHARE THAT VIEW.

4. THIS DOES NOT MEAN THAT THE SINGLE AUTHORITY HAS TO BE EXTRAVAGANT. THAT WAS ONE OF THE LESSONS TO BE ^{learnt} ~~drawn~~ FROM THE HMI REPORT. THE GOVERNMENT'S PUBLIC EXPENDITURE PLANS REQUIRE LOCAL AUTHORITY CURRENT EXPENDITURE ON EDUCATION IN ENGLAND TO GO DOWN

BY ABOUT 7% IN REAL TERMS BETWEEN 1978/79 AND 1981/82. ILEA HAS NOT MADE THE RESPONSE WHICH COULD REASONABLY HAVE BEEN EXPECTED FROM AN AUTHORITY WHOSE EXPENDITURE EXCEEDS ITS NEEDS BY FAR MORE THAN ANY OTHER EDUCATION AUTHORITY, ON THE BASIS OF ASSESSMENT USED FOR THE DISTRIBUTION OF BLOCK GRANT. IT IS APPARENTLY PLANNING TO SPEND NEXT YEAR ALMOST AS MUCH IN REAL TERMS AS IT DID IN 1978/9 ALTHOUGH BETWEEN 1978/9 AND 1981/2 ILEA'S PUPIL NUMBERS WILL FALL BY SOME 13%.

5. IN THAT EVENT ILEA WOULD BE LIKELY TO RECEIVE VERY LITTLE GRANT IN 1981/82. THE REASON IS SIMPLE. THE BLOCK GRANT SYSTEM ENSURES THAT AN AUTHORITY WHICH ACTS IRRESPONSIBLY CANNOT DO SO AT THE EXPENSE EITHER OF THE TAXPAYER OR OF THE RATEPAYERS OF AUTHORITIES BEYOND ITS BOUNDARIES.

6. THE LONG-TERM RETENTION OF THE SINGLE EDUCATION AUTHORITY FOR INNER LONDON IS JUSTIFIED ONLY IF THE AUTHORITY SHOWS THAT IT CAN GIVE THE CHILDREN AND STUDENTS OF INNER LONDON A GOOD SERVICE IN ALL PHASES OF EDUCATION AT AN ACCEPTABLE COST. IT IS UP TO ILEA TO PUT ITS HOUSE IN ORDER. IT MUST RECOGNISE THAT THE RIGHT TO PRECEPT ENTAILS THE OBLIGATION TO SPEND RESPONSIBLY. IF ILEA SYSTEMATICALLY ABUSES THE RATING SYSTEM BY UNCHECKED EXTRAVAGANCE, ADDITIONAL FINANCIAL CONTROLS WILL BE NEEDED. THE GOVERNMENT ARE NOW CONSIDERING WHAT FURTHER MEASURES THEY WOULD TAKE TO MEET THAT SITUATION.

1861 F. 4





FROM THE SECRETARY OF STATE

✓ cc Press
Mr Sanders

ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

~~MS~~
na MAP

Robin Birch Esq
Private Secretary to the Chancellor
of the Duchy of Lancaster
Cabinet Office
Whitehall
London SW1A 2AS

3 February 1981

Dear Robin

THE FUTURE OF THE ILEA

At Cabinet on 22 January my Secretary of State was invited in consultation with the Chancellor of the Exchequer and the Secretary of State for the Environment, to prepare an oral statement announcing the outcome of the Government's review of ILEA. A copy of the statement which has been agreed with the Prime Minister is attached. It will be made tomorrow (Wednesday) afternoon.

This letter is copied to the private secretaries to the Prime Minister, each member of the Cabinet, the Chief Whips in both Houses and Sir Robert Armstrong.

Yours sincerely

Pete Shaw

P A SHAW
Private Secretary

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3 FEB 1964



PRIME MINISTER

Mr. Carlisle has amended his proposed draft statement on ILEA, to deal with your point about paragraph 5 of the earlier draft (Flag A). I understand that he is very keen to retain a reference to block grant, as included in this new text. But this is still likely to be criticised, because Wandsworth, Westminster, and the other Inner London Boroughs, are all, in a sense, "other Authorities". If he wanted to keep it in, I suppose one could say "or ratepayers elsewhere in the country". The case for keeping in some reference to block grant is strengthened by ILEA's recent claim that they were to be deprived of grant next year by "a Whitehall accounting blunder". Papers at Flag B.

The Cabinet conclusions on ILEA record that you would consult Horace Cutler about handling and timing of the statement and inform Cabinet of the decisions.

- 1 saw Horace - he wants a statement to the effect that: 1) we retain a unitary authority; and

1. Content with the statement in its present form or do you wish to amend paragraph 5?

Suggest "authorities beyond its boundaries" to deal with your Wandsworth/Westminster.

2. Agree that Mr. Carlisle should make an oral statement on Wednesday? *Yes*

2) that the decision will be subject to review in N years as it was in the Act which needed UGA (1968?)

3. Do you want to make further contact with Horace Cutler - either personally or through Mark Carlisle? (You may have touched on this in your private meeting). *Please let him know decision & progress.*

4. Agree that the commitment to inform Cabinet can be discharged by Mr. Carlisle circulating the approved text of his statement the day before he makes it? *Yes not*

30 January 1981

CONFIDENTIAL

MFJ



Mr Sanders - to see

File

MS

10 DOWNING STREET

Education

From the Private Secretary

2 February 1981

Dear Peter

The Prime Minister has considered the draft statement on ILEA enclosed with your letter to me of 29 January.

As I told you on the 'phone, she would like to amend the final sentence of paragraph 5, so that it concludes:-

".... or of the ratepayers of authorities beyond its boundaries"

She has agreed that Mr. Carlisle should make this amended oral statement on Wednesday.

The Cabinet conclusions recorded that the Prime Minister would consult Sir Horace Culter about the handling and timing of the statement, and that Cabinet would be informed of the decisions reached. The Prime Minister would therefore like Mr Carlisle to circulate his text to Cabinet colleagues. She has already touched on the question in a recent private conversation with Sir Horace Cutler. As your Secretary of State will know, he has wanted the Government to make a statement with two main points: first, that the unitary authority is to be retained; and secondly, that the decision will be subject to review after a certain period of time, as it was in the Act which originally created ILEA. The Prime Minister is satisfied that the draft statement makes no irrevocable long term commitment to the present structure or financial powers of ILEA and is content that the issue should be handled in this way rather than by a specific commitment to review the matter again at a certain point in the future. She would nevertheless like your Secretary of State to let Sir Horace know of the decision reached by Ministers, and the timing of the statement.

/I am sending

CONFIDENTIAL

-2-

I am sending copies of this letter to Stephen Boys-Smith (Home Office), Peter Jenkins (HM Treasury), Robin Birch (Chancellor of the Duchy of Lancaster's office), David Edmonds (Department of the Environment), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

P.A. Shaw, Esq.,
Department of Education and Science.

CMA



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Mike Pattison Esq
10 Downing Street
LONDON
SW1

29 January 1981

Dear Mike,

THE FUTURE OF THE INNER LONDON EDUCATION AUTHORITY

Thank you for your letter of 29 January about the proposed oral statement on the future of ILEA.

My Secretary of State fully accepts the point made by the Prime Minister on paragraph 5 on the draft statement. I attach a further draft of the statement in which amendments have been made to paragraphs 5 and 6 which he believes meet the Prime Minister's concern. The amended draft does however retain the sentence on block grant. My Secretary of State believes this is important in explaining that it is the fault of ILEA rather than the fault of the Government that they are likely to receive such little financial support in this coming year.

I am sending copies of this letter to Stephen Boys-Smith (Home Office), Peter Jenkins (HM Treasury), Robin Birch (Office of the Chancellor of the Duchy of Lancaster), David Edmonds (Department of the Environment) Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours sincerely
Peter Shaw

P A SHAW
Private Secretary

1. With permission, I wish to make a Statement on the outcome of the Government's enquiry into the future of the Inner London Education Authority.

2. The ILEA is the largest local education authority in England. Among such authorities its composition is unique. It precepts freely and without restraint on the ratepayers of the inner London Boroughs and the City of London. In practice it spends much more money per pupil than any other English authority without thereby achieving a satisfactory performance for many of its schools, particularly its secondary schools as was shown in the HMI report on ILEA. The purpose of the enquiry was to see whether this situation could be improved by altering the constitutional arrangements for providing education in inner London.

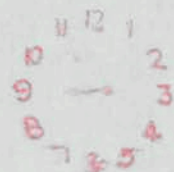
3. The fundamental issue for the enquiry was whether ILEA should be broken up. There is a case for giving some responsibility for education to the inner London Boroughs. There is also a case for retaining a single authority in the light of London's past development and its system of local government. But the overriding factors are educational and financial. The weight of educational opinion, including the voluntary bodies and the churches, is that the problems of inner London call for a single authority of adequate size and with adequate resources to administer its schools as well as further and higher education, and the careers service; and that responsibility for the schools should not be separated from the rest of education. The Government share that view.

4. This does not mean that the single authority has to be extravagant. That was one of the lessons to be drawn from the HMI report. The Government's public expenditure plans require local authority current expenditure on education in England to go down by about 7% in real terms between 1978/79 and 1981/82. ILEA has not made the response which could reasonably have been expected from an authority whose expenditure exceeds its needs by far more than any other education authority, on the basis of assessment used for the distribution of block grant. It is apparently planning to spend next year almost as much in real terms as it did in 1978/9 although between 1978/9 and 1981/2 ILEA's pupil numbers will fall by some 13%.

5. In that event ILEA would be likely to receive very little grant in 1981/82. The reason is simple. The block grant system ensures that an authority which acts irresponsibly cannot do so at the expense either of the taxpayer or of the ratepayers of ~~other~~ authorities. *beyond its boundaries.*

6. The long-term retention of the single education authority for inner London is justified only if the authority shows that it can give the children and students of inner London a good service in all phases of education at an acceptable cost. It is up to ILEA to put its house in order. It must recognise that the right to precept entails the obligation to spend responsibly. If ILEA systematically abuses the rating system by unchecked extravagance, additional financial controls will be needed. The Government are now considering what further measures they would take to meet that situation.

29 JAN 1981





Education
file 1/b

10 DOWNING STREET

From the Private Secretary

29 January 1981

2/F.9-2-81.

ILEA

The Prime Minister has seen your Secretary of State's minute of 28 January, with which he enclosed the draft of a proposed oral statement on the future of ILEA.

The Prime Minister is concerned about paragraph 5 of the draft. This makes it clear that ratepayers of an irresponsible authority will be the sufferers: ILEA happens to be the one authority where the ratepayers have no come-back through the ballot box. The Prime Minister feels that the inclusion of this paragraph will only spur demands for a promise of future action to correct this, as is contained in respect of central government's control of finance in paragraph 6. She has asked whether paragraph 5 might be deleted.

I am sending copies of this letter to Stephen Boys-Smith (Home Office), Peter Jenkins (H.M. Treasury), Robin Birch (Office of the Chancellor of the Duchy of Lancaster), David Edmonds (Department of the Environment) Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

Peter Shaw, Esq.,
Department of Education and Science.

PS

cc Mr Ingham
Mr Sanders

A



Prime Minister

You wanted to see a draft ILEA statement before confirming that there should be one.

Paras 3 & 6 cover what Cabinet concluded; but para 5 leaves government wide open - the unfortunate ILEA ratepayers have no democratic vote back.

79 Dec. I am worried about para 5. It will leave feeling anyone we should be expected to take some remedial action

PRIME MINISTER

THE FUTURE OF THE INNER LONDON EDUCATION AUTHORITY

At the Cabinet last Thursday I was invited to prepare a draft of an oral statement announcing the outcome of the Government's review of the ILEA. The attached draft statement has been prepared in consultation with the Chancellor of the Exchequer and the Secretary of State for the Environment.

Agree that there should be a statement, made by Mr Carlisle early next week?

As the ILEA is likely to settle its budget for 1981-82 on 10 February I think it would be very desirable for the statement to be made early next week.

MC 28/1

Copies of this minute go to the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for the Environment, the Chief Whip and Sir Robert Armstrong.

M.C.

MARK CARLISLE

28 January 1981

1. With permission, I wish to make a Statement on the outcome of the Government's enquiry into the future of the Inner London Education Authority.

2. The ILEA is the largest local education authority in England. Among such authorities its composition is unique. It precepts freely and without restraint on the ratepayers of the inner London Boroughs and the City of London. In practice it spends much more money per pupil than any other English authority without thereby achieving a satisfactory performance for many of its schools, particularly its secondary schools as was shown in the HMI report on ILEA. The purpose of the enquiry was to see whether this situation could be improved by altering the constitutional arrangements for providing education in inner London.

3. The fundamental issue for the enquiry was whether ILEA should be broken up. There is a case for giving some responsibility for education to the inner London Boroughs. There is also a case for retaining a single authority in the light of London's past development and its system of local government. But the overriding factors are educational and financial. The weight of educational opinion, including the voluntary bodies and the churches, is that the problems of inner London call for a single authority of adequate size and with adequate resources to administer its schools as well as further and higher education, and the careers service; and that responsibility for the schools should not be separated from the rest of education. The Government share that view.

4. This does not mean that the single authority has to be extravagant. That was one of the lessons to be drawn from the HMI report. The Government's public expenditure plans require local authority current expenditure on education in England to go down by about 7% in real terms between 1978/9 and 1981/2. ILEA

has not made the response which could reasonably have been expected from an authority whose expenditure exceeds its needs by far more than any other education authority, on the basis of assessment used for the distribution of block grant. [It is apparently planning to spend next year almost as much in real terms as it did in 1978/9 although between 1978/9 and 1981/2 ILEA's pupil numbers will fall by some 13%.]

*11.11.81
P. 05/1/81
to 11/11/81*

5. The upshot is that ILEA is likely to receive practically no block grant for 1981/2. The reason is simple. ILEA has refused to make the reasonable economies that so many other educational authorities have made. The block grant system ensures that an authority which acts irresponsibly cannot do so at the expense either of the taxpayer or of the ratepayers of those authorities who act responsibly. The penalty falls on the ratepayers of the irresponsible authority.]

6. For 1981/2 this is a matter for inner London's ratepayers and for ILEA itself. The long-term retention of the single education authority for inner London is justified only if the authority shows that it can give the children and students of inner London a good service in all phases of education at an acceptable cost. It is up to ILEA to put its house in order. It must recognise that the right to precept entails the obligation to spend responsibly. If ILEA systematically abuses the rating system by unchecked extravagance, additional financial controls will be needed. The Government are now considering what possible further measures they would take to meet that situation.



B
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01-928 9222

FROM THE SECRETARY OF STATE

Mike Pattison Esq
10 Downing Street
LONDON SW1

29 January 1981

Dear Mike

ILEA 1981-82 BUDGET AND GRANT ENTITLEMENT

I attach as requested a note on the article in last night's Evening Standard entitled 'School sums wrong'.

Yours sincerely

P A Shaw

P A SHAW
Private Secretary

ILEA: 1981-82 BUDGET AND GRANT ENTITLEMENT

1. What grant ILEA receive in support of their expenditure in 1981-82 will depend on their actual level of expenditure - the decisions they are now about to take. The more they can bring their expenditure down towards their assessed grant-related expenditure (GRE), the higher their grant entitlement. Thus, if the ILEA were to spend at their GRE (£468m at 1981-82 assumed outturn prices), they would be entitled to £142m worth of grant. If they finally spend as much as their currently planned figure of £694m, their grant entitlement will be only £7m or so. This is brought out in the graph attached (which was annexed to C(81)6).

2. Yesterday's Evening Standard, drawing from a statement by Sir Ashley Brammall, claimed that ILEA (and London rate payers) are being robbed of £54m worth of grant in 1981-82 because of a "Whitehall accounting blunder". We have been unable to check the precise basis for ILEA's statement. But it seems to rest on a misunderstanding about the nature of what it described on the attached graph as the "DOE settlement" figure of £597m - a figure which determines ILEA's multiplier, and therefore the rate at which its grant reduces as its expenditure increases.

3. This figure of £597m represents the level of expenditure that we calculate the authority would need to incur in 1981-82 if it were to reduce its expenditure between its 1980-81 budget level and 1981-82 outturn in line with the Government's target of a 3.1% aggregate reduction in local authority current expenditure between the two years. ILEA appear to think that this "target" figure should have been related to their 1978-79 actual expenditure (this may be based in part on a misunderstanding of something said by the Minister for Local Government and Environmental Services in winding up the debate on the RSG report on 14 January.) Having checked the figures underlying RSG settlement, officials are satisfied that they are correct; and that ILEA's claim cannot be substantiated.

4. There are however uncertainties about some of the inflation adjustment to be made with regard to ILEA's figures. We are looking further into these; but any adjustments to be made should relate not to ILEA's grant entitlement for 1981-82, but to a view of how its planned level of expenditure in that year compares with its actual expenditure in years before 1980-81.

RSG Settlement 1981-82

ILEA: Grant entitlement at different expenditure levels

