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PRIME MINISTER

SECRET

FUTURE OF I.L.E.A.

attached

My minute of 21st November reported the outcome of the H Committee discussion on 18th November of the Inner London Education Authority (I.L.E.A.). H Committee agreed then that the present local government arrangements for education in inner London are far from satisfactory but accepted, by a majority, the need to retain a single education authority. H. Committee wished to give further consideration to the possibility identified by the Ministerial Committee on the Future of the Inner London Education Authority (I.L.) of making I.L.E.A. consist solely of members appointed by the inner London boroughs and the City (the Marshall Option), and asked them to look further at ways in which financial controls on I.L.E.A. might be strengthened. (Such changes need not necessarily be linked with changes in the way that members of the authority are appointed.)

H Committee considered I.L.'s further report (H(80) 85) on 15th December. I.L. had concluded that the most attractive (or least unattractive) possibility would be to introduce a system under which the rate precept was more related to population in respect of the authority's expenditure above a certain level. In other words, above that level the precept would be related to the population of each borough and not its rateable value. The effect would be that the rate burden imposed by I.L.E.A. would be redistributed at the margin so that a higher proportion was borne by the rate-payers of those boroughs for which most of the services were provided.

Such an approach would be technically feasible, but there are very considerable objections. It would conflict with the basic rating principle that rate-payers pay a common rate poundage. It would be regressive, but only to the extent that expenditure exceeded the threshold. It would bear hard on industry and on small businesses in the poorer boroughs. And it could set a dangerous precedent that the wealthier parts of other local authorities might use to claim relief. On the other hand it would come into play only if Councillors knowingly and deliberately budgeted for a level of expenditure above the threshold. H Committee accepted I.L.'s view

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that there were very substantial objections to the other possibilities that had been examined. These included a blocking mechanism in voting the authority's budget, a fixed limit on I.L.E.A.'s expenditure, the extension of judicial review of the level of precept, and adjustment of block grant.

H Committee noted that very considerable changes are already under way. Under block grant, grant will be paid for the first time direct to I.L.E.A. The rate support grant settlement has switched grant away from London so that there will be heavy pressure on all London rating boroughs to contain their expenditure. (Experience next year will therefore test the hypothesis that the prospect of high rate increases puts councillors under effective pressure to contain expenditure.) In addition I.L.E.A. has now begun to adjust to falling school rolls which should yield savings and the publication of H.M. Inspectorate's report will focus attention on the steps that the authority needs to take in order to remedy the deficiencies high-lighted by the report.

Against this background, and having regard to our earlier reservations about the balance of advantage of the Marshall Option, the majority of the members of H Committee were dubious about the benefits of possible changes which would, of course, require legislation. The majority considered that it would be best in all the circumstances to maintain the existing arrangements. (We deliberately refrained from examining more radical options that went beyond the local government arrangements for education in Inner London.) Given the political importance of the matter, H Committee were in no doubt that the Cabinet would wish to consider it before any decision was announced.

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I am sending copies of this minute to the other members of the Cabinet, the Minister of Transport, the Chief Whip, the Minister of State, Department of Education and Science and Sir Robert Armstrong.

LSD

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December, 1980

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PRIME MINISTER

I attach the Home Secretary's reports on the two H Committee discussions of ILEA.

The conclusions are as forecast earlier. I am told that H had a poor discussion, with only Lady Young and Tom King displaying understanding of the issues. The others assumed the matter would come to Cabinet, and that they did not therefore need to trouble themselves. !!

Since these discussions took place, you have commissioned Lady Young to consider the possibility of taking consultation forward through a Green Paper, which might indicate the Government's intention to maintain ILEA but to introduce direct elections.

We asked the Home Secretary not to mention your further commission to Lady Young, because his role was to report on the conclusions of his own Committee. But you may think that it would be wasteful to have two discussions at Cabinet on the subject. Would you therefore like me to write around now, saying that you have noted the recommendations of H, but that you have since felt it useful to ask Lady Young to do a little more work in the light of suggestions put to you by the Conservative Group on GLC and ILEA, and that you would like her to circulate a response to colleagues before Cabinet considers the issues?

Yes please

MAD

19 December 1980



HS
Education

10 DOWNING STREET

From the Private Secretary

22 December 1980

Future of ILEA

The Prime Minister was grateful for the Home Secretary's minute of 18 December, reporting H Committee's further consideration of ILEA.

She agrees that Cabinet should consider the subject before final decisions are taken. The Home Secretary's minutes of 21 November and 18 December cover the issues considered in H.

Since H Committee concluded these discussions, the Prime Minister has had a discussion with Conservative leaders on ILEA about certain aspects of the matter. As a result of that meeting, she has asked Lady Young to consider the format of the announcement of the Government's thinking, and to give further consideration to the possibility of turning ILEA into a directly elected body. She would like Cabinet colleagues to have before them Lady Young's report to her on these issues at the same time as they consider the recommendations of H Committee.

I am sending copies of this letter to the Private Secretary to other members of Cabinet, including the Minister of Transport, the Chief Whip, Minister of State, Department of Education and Science and Sir Robert Armstrong.

MAP

Stephen Boys Smith, Esq.,
Home Office.

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jfh

Edwards

MR HYDE
Cabinet Office

The Prime Minister has now considered the Home Secretary's further report on H Committee's discussion of the future of ILGA. She would like Cabinet to consider simultaneously Lady Young's response to the Commission which followed the meeting with Sir Horace Cutler. I propose to send the attached letter reporting this. If you have any comments, perhaps you could let me have them in the course of the day.

MAP

22 December 1980

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