

**CONFIDENTIAL**

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

C(83) 7

COPY NO

83

18 March 1983

CABINET

FUTURE OF THE INNER LONDON EDUCATION AUTHORITY

Memorandum by the Secretary of State for Education and Science

The Inner London Education Authority (ILEA) - details at Annex A - is legally a special committee of the Greater London Council (GLC). The abolition of the GLC would open the way for improving the arrangements for education in inner London. I recommend a scheme which retains the advantages of what exists and removes its worst defects.

2. A single education authority for the whole of inner London has proved advantageous in two important respects:
  1. It has secured further and higher education, much of it serving students from far beyond inner London, which is - despite some notorious blemishes - in general good and economically run.
  2. It serves, much more than the GLC, as an instrument for redistributing for local government purposes the exceptionally high rateable resources of Westminster and the City of London: some £400 million a year, which could otherwise be obtainable only from a Government-imposed levy on these two authorities, or from the Exchequer or other, poorer, local authorities outside London, is made automatically available through the education precept for inner London.

A BETTER SINGLE AUTHORITY

3. But as now constituted the single authority has shown glaring weaknesses. In particular its schools, notably the secondary schools, are not performing well despite very high expenditure and much waste. To tackle this problem I propose:
  1. That the ILEA should be replaced by a Joint Board, consisting entirely of nominees of the 12 inner London boroughs and the City of London. The authorities whose ratepayers pay the education precept would then in effect be responsible also for the education element in their rate levy. This bringing together of managerial and financial responsibility is bound to encourage a greater degree of financial prudence.
  2. That, if we do not decide to introduce controls on local authority rates or expenditure, we should consider making the Joint Board's precept subject to control by the holder of my office. This

**CONFIDENTIAL**

exceptional measure is justified on the ground that, as a uniquely large single-purpose precepting authority which was not directly elected, the Joint Board ought to be subject to an appropriate and wholly exceptional external control. The burden of thus becoming involved in the authority's policies would, I believe, be worth the gain of gradually bringing education expenditure in inner London under control. More detailed work would be needed before this proposal could be implemented.

4. I do not recommend the alternative course of abolishing a single education authority for inner London. The natural way of doing this would be to transfer education responsibility to the existing authorities - the inner London boroughs - so that they would have the same functions as the outer London boroughs; the City of London has told us that it would not wish to be an education authority. A few inner London boroughs, like Westminster, and Kensington and Chelsea, could be expected to become efficient education authorities after the upheaval of transfer. But most of them - Lambeth, Southwark, Lewisham, Greenwich, Camden, Tower Hamlets, Hackney and Islington - are likely to make as poor a job of education as those outer London boroughs, like Newham and Barking, whom they most resemble, especially since they will have to cope with such special problems of falling school rolls and the education of ethnic minorities and variously handicapped children.

5. Having no single education authority for inner London would also deprive us of the advantages mentioned in paragraph 2.

1. We would gratuitously break up arrangements for further and higher education which, apart from the well-known blemishes, no-one has criticised. It would make no sense to separate further and higher education from schools eg by leaving it with a single joint board and transferring only schools to the boroughs. All these aspects of education are interrelated and ought to be run by the same authority, as they always have been in England.

2. We would saddle ourselves with the resource equalisation problem which having a single authority solves automatically. As Annex B explains, we might, for example, have to oblige Westminster and the City to pay over something like £400 million to other authorities on the basis of criteria which we would have to invent and defend.

6. Nor can I recommend two variants of abolishing a single authority which have been suggested:

1. To create, say, three joint boards, each composed of nominees of several inner London boroughs. An artificial arrangement which no previous experience commends would be hard to defend. It would still needlessly disrupt the further and higher education arrangements. It would not solve the resource equalisation problem, because Westminster would automatically finance only the group of which it was a member, and we could hardly force the City which does not want to become an education authority to join and finance a second group.

2. To allow individual boroughs to opt out of the single authority could create a capricious and disorderly result. It would leave us with the resource equalisation problem since Westminster and the City would

**CONFIDENTIAL**

certainly opt out. There are grave dangers for London and elsewhere in a precedent which allows the currently ruling party in a local authority, and not Parliament, to determine the pattern and functions of local government.

7. Abolition of a single authority, however effected, has one crucial political disadvantage. As in 1981, its publicly proclaimed possibility would unleash an orchestrated protest campaign which many parents would support; this would rob us and our Parliamentary supporters in London of the kudos of abolishing the GLC. My proposals in paragraph 3 above, though bold, would not hand our opponents a ready-made issue on a plate.

8. My proposals would entail legislation and administrative effort. But both would be much less complicated and extensive than if we abolished a single authority, and would improve our chances of achieving the timetable we have set ourselves.

**CONCLUSION**

9. I invite my colleagues to agree that:

1. If the GLC is abolished, a single local education authority constituted as a joint board should run education in inner London (paragraph 3(1)).

2. We should consider making the Joint Board's precept subject to control (paragraph 3(2)).

K J

Department of Education and Science

18 March 1983

CONSTITUTION AND FUNCTIONS OF ILEA

1. ILEA is the local education authority for the area covered by the City of London and the 12 inner London Boroughs. It is a special committee of the GLC, its membership consisting of:

- i. all of the (35) councillors elected to the GLC from the inner London area;
- ii. one member appointed by each of the 12 Boroughs and the City from amongst their own members.

2. In January 1981 ILEA was providing primary and secondary education for 314,000 pupils (Essex, the next largest LEA, had 257,000 pupils) and further and higher education for 140,000 full and part-time students. Like other LEAs it makes provision for special education, adult education (300,000 students), the youth service and the careers service.

3. ILEA maintains 45 nursery schools, 812 primary schools, 179 secondary schools, 112 special schools, 27 colleges of further and higher education, 30 adult education institutes, 116 youth centres and clubs, residential sports and outdoor centres, 2 museums, 54 teachers' centres and 24 careers offices. It also grant-aids the 5 London polytechnics and gives financial assistance to 8 specialist establishments of further education.

4. In 1980/81 full-time equivalent staffing levels in ILEA (including staff in the polytechnics) were:

teaching staff	33,500
others	32,200

5. ILEA determines its own budget and fixes its own precept (which the GLC has to levy on its behalf). Its net budgeted expenditure in 1982/83 is around £775m, financed largely on the basis of a precept of 71p. This compared with a GRE of £514m. Block grant is not paid direct to ILEA. In 1982/83 the inner London Boroughs received, after hold-back, no block grant in respect of education.

## THE FINANCING OF EDUCATION IN INNER LONDON

## THE PRESENT POSITION

1. ILEA's planned net expenditure of some £775m in 1982/83 will be financed wholly from the rates. It will receive no grant because its expenditure will be over 50% above its GRE and, under the block grant arrangements, it therefore incurs negative marginal rates of grant. (If it were to spend at its GRE of over £500m it would receive well over £100m in grant which, as things stand, is redistributed to other authorities.)
2. The rate income required to finance ILEA in 1982/83 will not be equally shared between the Boroughs. Because the City and Westminster in particular have such high (mainly non-domestic) rateable resources, they will contribute far in excess of what is required to finance education within their areas. Representing under 10% of ILEA's population they contribute about 50% of its rate-borne income. Poorer Boroughs, like Wandsworth, contribute correspondingly less.
3. There is also a separate scheme for the reallocation of some of the benefits of London's high rateable values under the London Government Act 1963. The City and Westminster contribute some £60m to this scheme; all other inner Boroughs benefit. The form of revenue sharing operated under this scheme is however unrelated to the block grant principles, and the total contributions by Westminster and the City fall far short of the amounts that would be required by full equalisation principles.

## THE PROBLEM OF BREAK UP

4. Abolition of the GLC and ILEA and transfer of their functions to the Boroughs (or other successor bodies) would also lead to the transfer of the appropriate shares of GRE and of the poundage schedule. But, as already noted, for Westminster and the City the actual rate poundage that they need to levy for their services is below the notional rate poundage implied by the block grant poundage schedule; negative grant entitlement, a new principle in local government finance prohibited by present legislation, would be needed to compel Westminster and the City to levy the notional rate poundage implied by the schedule. This divergence would be widened by the transfer of functions to the Boroughs. For 1982/83 GLC and ILEA are levying precepts of 34.8p and 7lp for their functions. But Westminster and the City could probably pay for their own devolved share of those functions with local rates of about 29p and 1p respectively.
5. Unless other measures were taken, the transfer of functions from the GLC and ILEA to the Boroughs would thus result in very substantial benefit to Westminster and the City (and to any other Boroughs going out of block grant including Camden and Kensington and Chelsea). This extra benefit would of course be reduced to the extent that some functions of GLC and ILEA were left to joint bodies with precepting powers that would spread the rate burden across high and low resource areas of London.

# CONFIDENTIAL

6. If it were desired to prevent these uncovenanted benefits for the high resource authorities from arising, and assuming that a system of negative block grants for high resource or high spending authorities is still ruled out, it would be necessary to make more extended use of arrangements to equalise rate burdens within London. Section 66(1) of the London Government Act 1963 already gives the Secretary of State for the Environment very wide powers to make "a scheme or schemes for the purpose of reducing disparities in the rates levied in different rating areas of greater London"; and in principle this might be used to obtain contributions from Westminster and the City (and other London authorities out of block grant) for lower resource London Boroughs.

7. The scale of such contributions would however be much greater than the present limited London equalisation scheme. The present GLC and ILEA precepts can be regarded as transferring about £490m in 1982/83 from Westminster and the City to the rest of London. Under the new arrangements these transfers would have to be made explicitly by the equalisation scheme, in addition to the present transfer of some £60m. It seems likely that transfers on this scale would require a much more precise policy rationale than the present scheme, the principles of which might need to be incorporated in statute. There is no obvious formula on which a satisfactory long term policy could be based.

17 March 1983

# CONFIDENTIAL