

PRIME MINISTER

We will leave it to Mr. H. for the Local Govt. no CAB
MA 20/1

Several weeks ago, you endorsed reactions from Sir Derek Rayner and Sir Kenneth Berrill to Mr. Heseltine's response to their earlier minute about efficiency and waste in local government. You agreed to have the Rayner/Berrill comments sent to Mr. Heseltine and other colleagues in your name.

I have been holding back on this, because the build up to the Civil Service manpower Cabinet seemed likely to absorb all the attention that Ministers would currently give to these management issues.

Now that you are on the point of announcing conclusions on central government manpower and efficiency, we could return to the charge about a parallel effort in local government. You will see separately in this box a report from Mr. Heseltine that last year's overall local government expenditure out-turn is 4½% above the level requested by central government as part of the public expenditure reductions. There has been angry reaction around the country to the level of rate increases and there are threats of some additional increases to meet education salaries. In this climate, an effective campaign could be well worthwhile. On the other hand, Ministers cannot give a great deal of time to issues of this kind, and you are hoping to engage them in the central government manpower issues at present. They know that Sir Derek Rayner is behind the suggestions for an initiative on local government waste. Mr. Heseltine much prefers to stick to his own approach. A central issue in the Heseltine/Rayner and Berrill argument is the proposed Accounts Commission for local government. This will have to come back to H Committee, as Mr. Heseltine got mauled in QL when he tried to slip it into next year's legislative programme. (You are also due to have a talk with the Conservative leaders of the local authority associations early next month.)

Against this background, would you still like us to return to the charge on these matters (I attach the draft letter which has been prepared), or would you prefer to let it rest until the Accounts Commission is tackled in Cabinet Committee?

9 May 1980

MA



10 DOWNING STREET

From the Private Secretary

30 April 1980

EFFICIENCY AND WASTE IN CENTRAL GOVERNMENT

The Prime Minister has read with interest your Secretary of State's minute to her of 12 March, and the Chief Secretary's observations on it. She has raised a number of points.

Information

The Prime Minister agrees that the preparation and publication of guidance and information on such matters as value for money, management, spending on different services and manpower should be done in a way which does not suggest that central government knows best. She thinks that your Secretary of State's initiative through the Consultative Council on Local Finance to commission work jointly by CIPFA and SOLACE provides a sound starting point, but that it will be important to ensure that the resultant data can be made generally available and, as necessary, in a form simpler than for experts.

The Prime Minister would like to know more of your Secretary of State's proposals for promoting "a national public debate" on the data to be made available, assuming for this purpose that the Advisory Committee on Local Government Audit remains in being and that the "Accounts Commission" (see below) is not established.

/Accounts

Accounts Commission for Local Government

The Prime Minister has noted the reservations expressed by the Secretary of State for Education and Science (Robert Green's letter to me of 13 February) and by the Chief Secretary. She agrees with your Secretary of State that, if the Government decided to proceed with the proposal, it would be preferable to have a single Commission for England and Wales. She accepts the general objectives he has in view but is not convinced that setting up an "Accounts Commission" would be a better way of achieving them than building on District Audit and the existing Advisory Committee.

The Prime Minister would, therefore, like your Secretary of State to take account of the following points when he consults interested colleagues in finalising his proposals:

(i) The Secretary of State recognises that the success of the proposal would depend very much on the reaction of the leaders of the local authority associations, to whom he proposes to talk informally. Given the authorities' reactions to somewhat similar proposals by the Layfield Committee earlier, it seems probable that they would equally strongly oppose the establishment of an independent Accounts Commission. Given other current problems with local authorities, benefits of the proposal (as opposed to those of other options) will have to be well established and sufficient to make the risk of further controversy worth taking.

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(ii) It is envisaged that the Commission would have to contain at least a strong minority of local authority representatives. There must be a risk that it would be necessary to concede a majority. If that happened, the present independence of the District Audit Service, for which the Commission would have executive responsibility, could either be or be seen to be jeopardised. The Prime Minister thinks that it would be wise to assess this risk fully.

(iii) It is not clear whether the alternatives of building on District Audit and the present Advisory Committee have been thoroughly explored. Sir Kenneth Berrill and Sir Derek Rayner made some suggestions for improvement in paragraph 6 of their joint note. The new arrangement for an annual published report by the Chief Inspector of Audit is useful; the latest report makes a solid contribution on several "value for money" issues. It is true that the Advisory Committee still has to prove itself but in principle there seems to be no reason why it should not over time be strengthened, for example by giving it a statutory existence or access to audit reports on individual authorities. In that way, it might develop functions similar to those proposed by your Secretary of State for the new Accounts Commission, without assuming executive control over District Audit.

(iv) The Prime Minister is doubtful about the analogy suggested between the Accounts Commission and the Public Accounts Committee. As she understands it, the Commission would not represent the Supply function in any sense that the PAC does; to suggest that it did

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would tend to obscure the fundamental question how best to secure accountability by local authorities for resources supplied through RSG within the limits of our constitutional arrangements and conventions.

Guidance on good management, value for money and manpower

It is not clear from the Secretary of State's minute which of the recommendations made by Sir Kenneth Berrill and Sir Derek Rayner on the production of various kinds of guidance and reviews are covered by the proposed initiative through the Consultative Council on Government Finance. The Prime Minister thinks that there is at first sight a good case for including in it their recommendations 4 (value for money), 5 (management roles) and 9 (Manpower regimes).

Timetable

The Prime Minister is grateful for the robust way in which your Secretary of State and others are tackling the question of local authority efficiency in speeches and interviews; but she thinks that it would be helpful to Ministers generally to have a clear strategy, indicating what Ministers would like to have achieved, by when. She would therefore still welcome proposals from your Secretary of State for a co-ordinated campaign which could be pursued by Ministers collectively.

I am copying this to John Chilcot (Home Office), Godfrey Robson (Scottish Office), George Craig (Welsh Office), Don Brereton (DHSS), Robert Green (Department of Education and Science), Alistair Pirie (H.M. Treasury), Geoffrey Green (Civil Service Department) David Wright (Cabinet Office), Gerry Spence (CPRS) and to Clive Priestley (Sir Derek Rayner's Office).

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Department of the Environment.