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Treasury Chambers, Parliament Street, SW1P 3AG
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31/8

30 August 1982

Tim Flesher Esq.
10 Downing Street
LONDON
SW1

Dear Tim,

... I attach a paper the Chancellor of the Exchequer has prepared for the Family Policy Group.

Copies of this letter go to Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Anthony Mayer (Department of Transport), David Clark (DHSS), Barnaby Shaw (Department of Employment), John Haliday (Home Office) and also to Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,
Jill Rutter

JILL RUTTER
Private Secretary

FAMILY POLICY GROUP

Note by the Chancellor of the Exchequer

1. This exercise has to be seen as a set of manageable and practical initiatives. But it will help if the fundamental philosophy which unites them is made clear.

Key Principles

2. The key principles we start from are as follows:-

a. State paternalism is the enemy. To the extent you are responsible for your children's education, your pension provision, your insurances, you take trouble to see they are right. To the extent the authorities take them over, they take away responsibility. Our task is to promote personal and family responsibility and so a wider sense of responsibility to the community, local as much as national.

b. Our opponents have a paternalistic, centralist view of these things. We are suffering from its past appeal. For it has increasingly induced people to abandon self-help and to place excessive demands on the State.

c. Some of these demands are intrinsically impossible for the State to meet. But even where they are not, they exceed what any Government is likely to be able to provide for a very long time to come.

d. At the same time the modern State, by monopolising or failing, in any real sense, to decentralise the provision of so much, has deterred or prevented private initiatives to meet many of the legitimate demands which cannot be satisfied by State provision. This is a recipe for personal as well as social and political frustration.

e. Reversing these processes is essential both for a more prosperous economy and a more satisfied society. We have to devolve effective power to the lowest level if that is to be achieved. That means ensuring that local communities which value and are prepared, for example, to support local schools and hospitals have the ability, and the right, to do so. Often for what seem to be the best of reasons, in order to "husband resources" and

"rationalise" provision, decisions are taken centrally - after prolonged, and in practise pointless - "consultation" which simply do not make sense to the local communities affected.

f. Already, through permissive legislation (the Health Services Act 1980), we have given individuals the opportunity to contribute to the cost of retaining facilities which would otherwise have been terminated. In my own constituency the operating theatre at one cottage hospital is likely to be kept open in this way. We should extend that approach wherever possible - particularly in education. In order to over-ride the bureaucracies at local or national level, we should very carefully consider giving people the right to establish such arrangements.

g. Similarly, local leadership needs to be stimulated by establishing clear rights of self-management in schools and hospitals. The quality and commitment of the head-teacher and the hospital matron will always be crucial in determining standards: we must recognise that by ensuring that they have real and effective opportunities to change and improve the environment within which their staff and pupils or patients work or live and by increasing powers to remove those who do not measure up to their tasks.

h. The only way to reverse the unacceptable momentum of public spending growth - with its implications for levels of taxation or borrowing - is by "thinking the unthinkable" in many areas. Past policy commitments have to be re-considered and new policy prescriptions adopted if the prospect of ever higher public expenditure is to be averted. It is imperative to create safety valves for growing demand and rising expectations, by ensuring that these can be met, at least at the margin, by increasing private provision.

The problem of local autonomy

3. The independence of local government, and the balance of power between local and central government are recurrent themes. Many of the changes we would like to see are the responsibility of local government. One obvious general answer is to take appropriate power to control from the centre. But this runs sharply contrary to our general philosophy. We are not at present well placed even to exercise informal influence over the local authorities since the dialogue with them (and even with our own supporters in local government) centres mainly on the arithmetic and machinery of spending control. If we do not wish to diminish the formal independence of local government, this unbalanced relationship could be made

more effective in two ways. First we need to agree clearer objectives with Conservatives in local government and to ensure that these objectives, are in practice pursued. Secondly we need to examine whether any of the policy initiatives we propose could be the subject of specific agreement with the local authority associations.

Action already in hand in the Treasury

4. The Treasury already has specific measures relevant to this exercise under study or in hand:-

- a. In the tax field, to encourage new and small businesses, management enterprise and wider ownership.
- b. In the management of the Civil Service, to devolve chains of command, to secure scope for local pay bargaining, and for merit pay after Megaw. We are also examining the scope for more local management and financial control so as to enhance the authority and responsibility of managers and work groups at all levels and their capacity to influence their own working conditions.

Proposals for further action

5. These proposals are not limited to topics on which the Treasury has the primary responsibility. Some will already be in hand elsewhere.

- a. Money management. Further moves towards monthly payment of wages, and for encouraging "the unbanked" to open bank accounts should be examined. The banks and other financial institutions are already making important progress in this area. And awareness of the need for sensible budgeting and saving cannot start too young. We should encourage the banks and building societies to look at further ways of promoting saving among school children. DNS should play its part too.
- b. At work. We must secure wider involvement of individual employees in the affairs of the business for which they work both through the improved provision of information and through profit-sharing and similar schemes.
- c. Union reform. We should consider the enactment of a Union members' Bill of Rights, to ensure, for example, their unrestricted right to participate in elections at all levels.

- d. Pensions. Consider provisions for more/better disclosure of pension fund accounts and other ways of ensuring that members have a better basis for involvement in the management of the funds. We must follow through the work already in hand for ensuring that the funds give better treatment to early leavers.
- e. The unemployed. Further extend incentives to the unemployed to launch out on their own. Encourage the formation of co-operatives, and other forms of self-help by the unemployed.
- f. The local community. We should ensure greater access, "out of hours", to underused local authority amenities and property, whether for education or recreation; we should consider giving local people and organisations a legal right of access, providing certain conditions are met (cf the "right to buy" legislation for council houses).
- g. Contracting out functions to the private sector. Greater efficiency and flexibility, and fewer opportunities for union obstruction, are benefits likely to flow from contracting out within the NHS, government departments, nationalised industries and local authorities. A review of the scope for further contracting out of services is already under way. This will be discussed at E in mid-autumn.
- h. Local initiatives. Do more to encourage local communities (whether through local authorities, Chambers of Commerce, the CBI's regional organisation or whatever) to launch their own campaigns and initiatives to encourage enterprise, community service and environmental improvement, building on existing arrangements such as enterprise agencies, community work schemes, and perhaps also the enterprise allowance scheme.
- i. Housing. A further drive on sales of council houses, flats and estates, is required. Progress has been encouraging, but we need to go much further, much faster. Council flats require particular attention. Management problems of the blocks concerned, though real, are soluble, perhaps by involving the institutions more closely. We need to raise the standards of public sector housing management, perhaps on a co-operative basis, or by contracting out.

j. Education. We should press ahead for vouchers and student loans. Can we do more to influence syllabuses, with particular emphasis on (i) the need for greater acceptability of business and wealth creation, (ii) training and education more closely geared to the needs of industry, (iii) doing more to prepare school children in information and other advanced technology fields? It is certainly worth considering how we can encourage schools with a strong moral base, such as church schools. We might also offer corresponding opportunities for other minority groups, eg. for Asians, who have strong religious or other traditions, though clearly we must avoid encouraging sectarian divisions (cf Northern Ireland). We should establish schemes whereby school facilities - both buildings and teachers - could be used out of hours (eg in extra tuition), on payment as appropriate, by those who wish it.

k. Law and order. We should extend existing schemes of community work for certain offenders and consider whether more can be done to tackle truancy at an early stage and consider whether, when the latest Criminal Justice Bill is enacted, parental responsibilities for young offenders are adequate.

l. Health. We have already decided to examine the possibility of raising more income from charges; privatising some parts of the NHS; charging patients the full cost of certain services received and subsequently reimbursing them where appropriate and giving further encouragement to the private health sector.

m. Transport. Establish plainer rights for more private enterprise and competition in bus services; and for more flexible and varied forms of transport eg shared taxis (jitneys) and mini-buses, which operate successfully outside the UK.