



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/12383/79

Your ref:

24 May 1979

*Daw Tim,*

You wrote on 16 May seeking my Secretary of State's views on the best way of attacking the problem of waste in the public sector outside ~~local~~ <sup>central</sup> government.

The Secretary of State has of course already given local authorities a firm lead on the ways in which the new administration will help and encourage them in eradicating duplication and waste. In the debate on the Address he referred to the abolition of unnecessary bureaucratic controls, the reduction in the number of Government circulars and the Government's intention to ensure that proper comparisons are made between authorities of the cost of the services they provide. These measures will save both money and manpower at local level.

← There is also the prospect of examining the duplication that results from the Local Government Act 1972 with a view to making essential though limited modifications to the allocation of functions; and putting direct labour organisation on a proper commercial footing will provide yet another way in which local authorities can make significant savings.

The Secretary of State has already urged on the Local Authority Associations and the unions the need for a freeze on recruitment and an urgent review of management requirements to pave the way for reductions in public expenditure. The rate support grant will provide a potent weapon in securing general compliance with this intention and in encouraging local authorities to eliminate waste.

My Secretary of State believes that these policies will do much to deal with the problem of waste in local government. He will, of course, be looking for other opportunities, but as the Government's general philosophy is to let local authorities stand on their own feet without undue interference he does not propose to give them guidance of a specific kind. They are not unaware of the need for economy and efficiency and have their own organisations (for example, the Local Authority Management Services and Computer Committee) which pursue active programmes of study. There is also the Advisory Committee on Local Government Audit which is considering the problems of value for money studies and comparisons between local authorities. He feels that we should encourage this self-help on the part of local government and use the Consultative Council as a form in which he and his colleagues can use vigorous persuasion to bring the message home to local government as a whole.

/ ...



There is also the critical question of land release. The Secretary of State will be writing to the Prime Minister about this separately.

The structure of local government finance will also have to be tackled if we are going to deal with spendthrift authorities which disregard the exhortations of national government and the interests of local ratepayers. The Secretary of State is considering how he can deal with this problem and will report later.

Yours sincerely

David (Mum)

D A EDMONDS  
Private Secretary

Copies of this go to the other recipients of yours.

cc Curb Off

Tim Lankester Esq  
10 Downing Street







10 DOWNING STREET

From the Private Secretary

16 May 1979

Waste

The Prime Minister has been considering the problem of waste in the public sector outside central government. She regards this as an important area for study, in its own right, and as a way of helping the local authorities and the NHS to absorb the costs of recent pay increases while still living within their cash limits. As you know, she has appointed Sir Derek Rayner to adviser her on the general question of 'waste': but he intends to concentrate initially at any rate on central government. The Prime Minister would therefore be glad to have your Secretary of State's own views on the best way of attacking the problem.

I am sending copies of this letter, with a similar request, to Don Brereton (Department of Health and Social Security), Kenneth MacKenzie (Scottish Office) and George Craig (Welsh Office).

T. P. LANKESTER

K.E.C. Sorensen, Esq.,  
Department of the Environment.

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NAT HEAVEN:  
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