

A

PRIME MINISTER

EFFICIENCY AND WASTE IN LOCAL GOVERNMENT

Following your Private Secretary's letter to mine of 18 January, I have now had an opportunity, with Mark Carlisle, Nicholas Edwards, and my colleagues here, to discuss with Sir Kenneth Berrill and Sir Derek Rayner their paper on this subject. I am now writing to give you and our other colleagues a progress report.

We are, I think, all agreed on the need to promote better-informed criticism of local government performance, both internally by elected members and externally by local public opinion. The conspicuous lack at the moment is in the information, and especially the comparative information, which can provide the basis for this. I have a number of measures in hand which I think will go a long way to remedy this and to meet the objectives to which the Berrill/Rayner paper is addressed.

The first of these is to secure the publication by local authorities of standardised financial information. I am seeking power, in the Local Government Planning and Land (No 2) Bill, to require local authorities to publish information in a form which will give the local electorate a much more precise idea of how well their Council is using its resources. It is vital that in this enterprise we should have the co-operation of local government itself; and I am delighted to say that the local authority Associations have agreed to commission, jointly with my Department, a study to propose what this information should be and to develop a Code of Practice about its

publication and dissemination. This study is being undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and is due to be completed in April. I shall consider this code of practice and discuss it with management accountants experienced in local government work before agreeing it. And of course the Code of Practice will if necessary have statutory backing.

We are, as you know, publishing from this month in the quarterly Joint Manpower Watch manpower totals for individual authorities together with year on year changes. As soon as I have the necessary powers I shall see that these figures are also broken down service by service.

But financial and manpower information about individual local authorities is only the first requirement; and, within the manpower information, it may be desirable to distinguish between the operational services and the supporting administration as we do in defence. We also need central collation, analysis and publication in order to produce proper comparisons between authorities. The great diversity of geographical, social and economic environments in which individual authorities operate requires these comparisons to be very carefully drawn if they are to carry conviction. The District Audit Service already contains a considerable amount of expertise in this area. But until very recently this has been deployed primarily if not exclusively in the context of individual audits, and there has been no machinery for basing a national public debate upon it. In the last two years, however, for the first time, the annual report of the

Chief Inspector of Audit has been published; and the Advisory Committee on Local Government Audit (chaired by Mr Brian Maynard of Coopers and Lybrand), appointed about a year ago by our predecessors, which receives that report, will issue its own first report this spring. This is a valuable development in opening up a discussion in this area at national level, and especially in promoting comparative studies.

An Advisory Committee however has in my view some important disabilities. It has no statutory existence, no formal powers, and no staff, except a small part-time secretariat provided by my Department. I wish to build on existing developments by establishing an Accounts Commission. The objection is to merge as far as possible 3 existing bodies. The Advisory Committee, District Audit and LAMSAC.

My proposal for an Accounts Commission is intended to strengthen and deepen the kind of work which the Advisory Committee has begun to do by making it a more powerful body and giving it executive responsibility for the operation of the District Audit service. It would have access to the auditor's reports on individual authorities, which the Advisory Committee does not have. The statutory powers of the District Auditor would remain as they are under this Government, and the independent position of the Chief Inspector of Audit would also be safeguarded. The Commission would provide a form of independent, public and formal supervision for the work of the District Audit Service which it now lacks and which could in time give the work of the Service the kind of publicity and authority which (allowing of course for the

constitutional differences) the Public Accounts Committee now gives to that of the Comptroller and Auditor General and his staff.

The Commission would also be able to use private auditors to audit individual authorities under the Chief Inspector and thus open the way to an increase in private sector participation in this important work. The costs of the Commission would be borne by Audit fees, as those of the District Audit are now, though I would not rule out the possibility of making small Government grants to it for particular purposes. The District Auditors would cease to be civil servants and would be employed by the new body.

I envisage that the membership of the Commission would be partly independent and partly representative of local government, with an independent chairman. I would wish local government to see it as its own instrument for helping it to raise its standards of efficiency and value for money in the longer term. The question of whether the Commission should cover both England and Wales, or whether there should be separate arrangements for the two countries is something which the Secretary of State for Wales and I will be discussing further. If there were to be a single Commission which I would prefer its members would, of course, be appointed by the Secretary of State for Wales and me.

The Commission would if local government will agree be a means of improving and extending the work of the Local Authorities Management Services and Computer Committee (LAMSAC). This body is run by the local

authority Associations but jointly funded by them and my Department. It has done some useful work in the value for money field but I do not believe that, for a number of reasons which I need not pursue here, its full potential has been achieved. Management accounting work is urgently needed in local government and rather than build up this expertise in the District Audit I would rather draw on an existing capacity.

I am convinced that the Accounts Commission, properly established, could be the means of bringing about that strengthening of District Audit on which the Berrill/Rayner paper lays stress, rather than an alternative to it. But before I bring this subject formally back to my colleagues in the Home Affairs Committee I intend first to discuss it informally with the leaders of the local authority Associations, since I believe that its success will depend very much on how they react to it.

The Berrill/Rayner paper also proposes the production of various kinds of guidance for elected members and others on efficiency and value for money. I do not myself think that central Government is well placed to do this effectively. The paper itself refers to the danger of "the Whitehall pot calling the Town Hall kettle black". We do not have so good a track record ourselves. What is needed, if it is to be effective, is guidance which issues at least partly from local government itself and disseminates its own best practice (we must not forget that standards in some authorities are already high). I think that we might best make progress here by means of an initiative in the Consultative Council on Local Government Finance, to whom I would propose that we should

jointly commission, perhaps from CIPFA, the production of material on the lines envisaged in the paper. This would cover, in particular, the use of performance review committees. I am encouraged here by the readiness with which we have secured the Associations' collaboration in the studies on publication of information mentioned above.

The Berrill/Rayner paper also proposes a campaign by Ministers. However my colleagues and I are already conducting a vigorous campaign on this issue in interviews and speeches, and have every intention of continuing to do so. I am now exploring new methods of using visual aids and similar advanced communication techniques to involve local councillors in what can be achieved in the better run authorities. I am also exploring what information the outside management accounting companies possess that might help.

I am copying this letter to Willie Whitelaw, John Biffen, Patrick Jenkin, Mark Carlisle, Nicholas Edwards, George Younger and Paul Channon; and to Sir Kenneth Berrill, Sir Derek Rayner and Sir Robert Armstrong.

*MH*

M H

12 March 1980

9  
8  
7  
6  
5  
4  
3  
2  
1  
H  
O  
R  
E

12 MAR 1960



Faint, illegible text in the upper section of the page, possibly a header or introductory paragraph.

Main body of faint, illegible text, appearing to be several paragraphs of a letter or report.

Faint text at the bottom of the page, possibly a signature block or footer.