



PRIME MINISTER

EFFICIENCY AND WASTE IN LOCAL GOVERNMENT

I found Michael Heseltine's reactions (in his minute to you of 12 March) to the paper by Sir Kenneth Berrill and Sir Derek Rayner an interesting insight into his plans for progress on the local authority front. You may like to have my views.

It is of course for Michael to take the lead in formulating judgements about the interaction between central and local government. I support the general thrust of his policies, particularly his plans for increasing ratepayer involvement and local authority accountability. These strike me as a good way of giving the policy on waste a momentum of its own, and more effective than detailed involvement by central government in local authorities' affairs. Our role must be to ensure that the financial and other systems for which we are responsible encourage - or at least do not deter - good housekeeping and active local monitoring.

Block grant fits in very well with this strategy since it acts as a disincentive to overspending by local authorities while avoiding scrutiny of details. The same reasoning leads me to question whether it makes for efficiency for the tax-payer to meet, on average, more than half of local authorities' current costs. The greater the proportion of local financing, the greater the stimulus to ratepayers to challenge both the amount and the deployment of local authority spending. This is an issue to which we should return in the autumn in deciding on the terms of RSG settlement for 1980-81.

Michael's minute lays considerable stress on the role of the District Auditor in identifying and advising on elimination of wasteful practices, both in specific and general terms. This is obviously an area where we can and should encourage effective financial discipline, but I am not yet persuaded that an Accounts Commission would in fact be the best way forward. The views of the local authorities, which Michael is now seeking informally, will of course be a major consideration when H Committee reconsider the proposal for a Commission, but I think we should be cautious about embarking on such a scheme if they are opposed to it, especially if the gains involved are more presentational than practical. In those circumstances strengthening the existing local audit arrangements might in the end be just as effective.

I am copying this letter to the recipients of Michael Heseltine's.

W.J.B.

JOHN BIFFEN.

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