

Mr. Vile
Mr. Wolfson
Mr. Heskins

LOCAL
GOVT



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 8545 (Llinell Union)

ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

June 1979

Dear Tim:

WASTE

In your letter of 16 May you seek my Secretary of State's views on the best way of tackling the problem of waste in the public sector outside central government, particularly as a means of helping local authorities and the NHS to absorb the costs of recent pay increases.

Local Authorities

Plus this is not necessary

My Secretary of State's view is that the best means of encouraging efficient use of resources by local authorities is, first, by a combination of action on cash limits and expenditure reduction in volume terms which will force local authorities to examine their priorities carefully and get value for money. This will involve a relative shift in the burden of financing local authority expenditure from the tax-payer to the rate-payer which will encourage ratepayers to be more vigilant in their scrutiny of local authority expenditure. As the general management of local authority expenditure and RSG are on an England and Wales basis, my Secretary of State cannot proceed to exert the above pressures on his own account in respect of Welsh authorities. The proposed Welsh RSG would have enabled this. However, Welsh local authorities will, of course, be affected by the policies we adopt for England and Wales as a whole.

Second, the Government's intention to reduce central interference with local authorities, by lessening the number of circulars and removing any unnecessary controls over their operations, will help to avoid duplication of staff

/and

T P Lankester Esq
10 Downing Street
LONDON SW1



and other resources and should encourage a frugal approach to local administration.

Third, efficiency will be encouraged by the activities of the Advisory Committee on Local Government Audit. Its reports, which will include comparability studies will give the rate-payer guidance and information on which he can assess the performance of an individual authority. At present the Committee has no legal status but Mr Edwards thinks the Government should see how it operates for a year or so and then, if necessary, be prepared to move to give it legal powers and duties.

My Secretary of State will of course take every opportunity of urging on Welsh local authorities generally the importance of getting value for money but he does not believe it would be consistent with the general policy of disengagement from local authorities to single out individual authorities. The watchdog over the individual authority must, in the last resort, be its electorate.

The Health Service

Mr Edwards met Chairmen of the eight Health Authorities in Wales on 25 May and told them that it was a prime duty of each Authority to achieve the greatest possible economy in administration. All the Authorities accept this and are putting pressure on their individual spending departments. In the Health Service, too, tight cash limits are the surest way of cutting back wasteful practices. The Health Service is labour-intensive and, of course, waste arises from over-generous manning, the excessive recourse to overtime and so on.

Significant savings have been achieved over the last 2-3 years by requiring the Health Authorities to cut the size of their administrative "tail": administrative costs as a proportion of revenue expenditure have now been reduced from 5.8% to below 5.25%. Further savings could come from structural change, and Mr Edwards is examining the case for this: but change will take time. Pressure on Authorities to cut administrative staff can, of course, be self-defeating if it leads them to economise on Treasury staff, internal auditors, work study officers etc. whose number is at present probably inadequate for effective cost/efficiency control.

/Mr Edwards



Mr Edwards proposes to maintain pressure on GPs for economy in prescribing, though the problem has proved very intractable over many years. In the field of hospital supplies, the recommendation of the Salmon Committee (that more systematised purchasing would make best use of the buying power of the NHS) could yield big savings: so could improved storage systems. It is the intention to press on with action on the lines recommended. Pressure is also being put on health authorities to take specific measures to reduce energy consumption and this of course means money savings too. A meeting on this takes place this month.

Mr Edwards believes that opportunities for economies can also arise by pressing on with sensible rationalisations of the pattern of service, notwithstanding local opposition to hospital closures; and by supporting AHAs in moves towards tighter manning of the service despite the risks of industrial action. Health Authorities are looking at a number of proposals - for example last winter's experience puts in question the extent to which ambulance transport for routine hospital visits is really necessary - but there will clearly be stiff resistance from groups of staff to streamlining the Service.

/ I am copying this letter to the other recipients of yours.

Yours sincerely

Bob Williams
for G C G CRAIG

cc Lab Off

10 11 12
9 8 7
6 5 4 3 2 1
JUN 14 1979

10 11 12
9 8 7
6 5 4 3 2 1