



PRIME MINISTER

Mr Carlisle's initial reaction to the Berrill/Rayner paper on local government.

DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

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Did he ever send details of no. of visits of. 1/2 of admin. cost over 10 years?

Dear Mike,

Now requested ra. MA 20/2

You sent me a copy of your letter of 18 January to David Edmonds about the Rayner/Berrill paper on the possibility of a campaign for securing greater efficiency in local government. My Secretary of State has a major interest in this issue, since in England education accounts for about half of total local government current expenditure and manpower. He must also take account of the effect which the Rayner/Berrill proposals may have on his relations with local education authorities since the statutory framework for the education service in England obliges him to pursue his policies largely by informal means and with the support and goodwill of local education authorities.

Mr Carlisle agrees with the Rayner/Berrill report that there is scope for increasing the efficiency with which local authorities run the education service, that councillors should take a close interest in its efficiency, and that they and their senior staff would be assisted if they could look to some independent, outside advice on good practice and on what would secure value for money.

He also agrees that comparative information about the expenditure of individual education authorities on particular services is useful. The DES has pioneered and supported the collection and publication of such information, and Mr Carlisle strongly supports the proposals in the Local Government Bill to extend and standardise the information published by local authorities. But differences of expenditure can often be explained by differences in the classification of costs, the structure of the institutions, geography, curriculum, standards of provision and many other factors. In any case, in education better value for money is not always achieved by lower expenditure: for some authorities it is achievable only by spending more, because the existing level of expenditure yields such a poor educational return.

The variety and interplay of all relevant factors do not, in the present state of our knowledge, permit the DES to say whether an authority is

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operating efficiently or inefficiently with the degree of assurance needed to justify asking the authority to explain a particular level of expenditure or staffing. To take just two of the examples quoted in para 21 of the Rayner/Berrill report, the comparison between Surrey and Suffolk secondary education unit costs takes no account of the relatively much larger numbers of Surrey pupils who stay on beyond 16; and the comparison between Bedfordshire and Lancashire primary education conceals the fact that Bedfordshire, unlike Lancashire, has middle schools which contain some pupils of secondary age but are included in primary schools for the purpose of the statistic quoted. Given such structural differences, it would not have been surprising if selecting the highest unit cost to compare with the lowest from amongst all the countries had produced bigger differences than 20% or 30%.

My Secretary of State considers that the Rayner/Berrill report underestimates the great difficulty of establishing valid forms for the cost and staffing of a particular educational activity or unit (eg a school or FE college) which could form the basis of DES advice in local education authorities. DES has so far been able to provide such advice on the capital cost of educational building. On current costs, DES proposes to use the new system of block grant to develop an effective method for determining standard expenditure for individual education authorities. We cannot be confident of achieving this quickly. Even then we should only know what, given the various factors, an authority might be expected to spend in relation to another in order to achieve a certain level of educational provision. We would not know what they ought to spend in absolute terms. We are therefore now looking at the feasibility of developing a method of judging what schools (and perhaps FE institutions) ought to provide and cost. But this is an immensely difficult task, which has never been undertaken in England, and in attempting it we may be inhibited by constraints on manpower.

Mr Carlisle therefore considers that, in the shorter term, improved local government efficiency in education must stem mainly from local government's own efforts, for example in developing the service given to them by such organisations as LAMSAC. They have been disappointingly slow to help themselves and each other in this way. The Government's prime role would be to encourage public recognition that local authorities have a duty to make themselves more efficient, and to help each other to do so. In that connection still greater concentration by the District Audit Service on value for money audit would be a helpful Government contribution. Mr Carlisle considers that strengthening that service's position is likely to be preferable to the creation of an Accounts Commission.

As regards the two Rayner/Berrill recommendations specifically related to education, Mr Carlisle agrees with the Prime Minister that the recommendation about HM Inspectorate does not fit into this particular campaign although their public reporting of good practice and their care for standards do encourage local authorities to get value for money.

Recommendation 7 and paragraphs 25 and 26 of the report seem to be based on ignorance of HMI's functions, work and size. Mr Carlisle is satisfied that HM Inspectors work fairly and squarely within known policies, whether these be concerned with standards, curriculum, teacher qualifications or public expenditure. They have, however, a duty to report frankly to him on the outcome of these policies and this must at times mean that inadequate standards have to be attributed to inadequate provision and expenditure.

The doubt expressed in the Rayner/Berrill report about HMI's local inspectorial role, apart from misunderstanding their relationship to local authorities, over-

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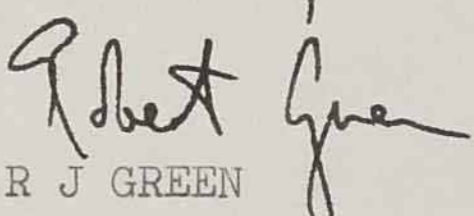
looks the fact that HMI Inspectorate is a small body by comparison with the number of institutions to be inspected. Because of its small size, it has of necessity concentrated work on major matters of public concern where the achievement of effective performance is a matter of urgency. In line with the Select Committee report of 1967-8, formal inspections still take place where there is special reason. In addition local education authorities understand the functions of the published reports resulting from inspection surveys and have responded well to their evidence and recommendations. For example, every Chief Education Officer in the country will be involved in the follow-up to the National Secondary Survey which relates directly to the Government's desire to establish consensus on the curriculum and to improve standards.

Mr Carlisle does not therefore feel there is anything particular to pursue in respect of HM Inspectorate. He is, however, aware that local authorities and in particular local advisory services have some difficulty in carrying on from where HMI's work properly leaves off. There may well be a need to examine the inspectorates of local education authorities, taking into account their size and other functions.

Rayner/Berrill make the specific recommendation that the Education Departments should review urgently their contribution to the management competence of senior teachers and administrators. (Recommendation 8 and paragraph 29.) This is already in hand: a good deal of activity exists. Two important research projects are being undertaken and HMI have made a review of provision in a number of authorities and institutions, the results of which are being analysed and discussed with the people concerned. More importantly, by inspection and associated reports to LEAs and in institutions, HMI contribute directly to management competence; they also take part in courses provided by many agencies and mount a small number of courses both regional and national for heads of department, heads and other local authority personnel. The urgent need to develop management competence is a regular theme of discussion with education officers and the trainers of teachers. But these are activities which are likely to be vulnerable to the current squeeze on resources.

The issues raised by the Rayner/Berrill report are far-reaching and complex and involve not only individual services but their interrelation at local level. Mr Carlisle has seen Mr Heseltine's suggestion, in David Edmonds' letter to you of 6 February, of a bilateral meeting with Rayner/Berrill. He hopes that this discussion could be broadened to include other Ministers with responsibilities for local authority services; he would personally very much welcome the opportunity to contribute.

I am sending copies of this letter to David Edmonds (DOE), and the other recipients of yours, and to Kenneth Mackenzie (Scottish Office) and George Craig (Welsh Office).

Yours ever,

R J GREEN
Private Secretary

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