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Local Govt

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON

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Very important
gets to Cabinet Office
11 June 1979
Thursday 14/6/79
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Dear Jim,

WASTE IN THE PUBLIC SECTOR OUTSIDE CENTRAL GOVERNMENT

Your letter of 16 May asked my Secretary of State, along with other colleagues, to give his views on the best way of attacking the problem of waste in the public sector outside central government.

As regards local government, Mr Younger has seen Mr Heseltine's views as given in David Edmonds' letter of 24 May, and he is in close agreement. He would particularly like to emphasise that in his view it would be counter-productive to approach the local authorities on the basis that there is without question waste on a large scale. This would simply make them reply that as **prudent** managers they have their own means for reviewing the staffing resources they need to carry out their functions, and that their duties are laid upon them by Parliament and the central government. For this reason my Secretary of State thinks that the approach to Scottish local authorities should be on the basis that we wish to co-operate with them to identify if and where waste occurs, and how far the removal of unnecessary central controls will contribute towards reducing it. Mr Younger also intends to see what improvements can be agreed in the present arrangements for exchanging information about manpower and unit and comparative costings. In the discussions which are taking place with the Convention of Scottish Local Authorities on the general question of local government finance that they have proved very much opposed to anything of the kind, but in the new Commission for Local Authority Accounts in Scotland there is a powerful independent authority working in this direction. However, some comparative studies can be made from published statistics of costs, and once local authorities have fully realised the effects on them of our public expenditure policy we hope to have more constructive exchanges with them.

My Secretary of State will pursue a similar line with Government-appointed bodies which are more directly under his control. Precisely because they are under control they will say that substantial economies will require Government decisions on what functions can be dispensed with. Action leading to such decisions is, of course, already in hand.

In respect of the National Health Service, the reductions of forecast public expenditure 1976 very greatly reduced the planned revenue growth rate for the Service at a time when a number of large capital projects were coming to fruition, and under the constraint of cash limits, the Health Boards have been continuously examining areas in which economies can be made. The success of their measures is reflected in such things as savings in management and catering costs, coupled with the funding of new patient care units and extensions to existing units from savings made in this way and by the reduction of other activities.

Health Boards were recently asked to report on the measures which had been successful in containing expenditure and reducing waste, and these reports are being collated for distribution to all Boards so that they may learn from each others' experience. We already make available to Boards and to individual managers including clinicians a good deal of information about comparative performances; we are endeavouring to improve the financial information we provide, particularly to those directly managing the services; and we shall press the Boards to make use of all the means at their disposal to achieve savings and apply their resources to the maximum benefit of patients. In the climate created by the Government's policies, my Secretary of State is confident the Boards will co-operate fully in this effort.

I am copying this letter to David Edmonds (DOE), Don Brereton (DHSS) and George Craig (Welsh Office).

Yours sincerely,
Kenneth Mackenzie

K J MACKENZIE
Private Secretary

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