

Prime Minister

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If you broadly go along with Derek Rayner's and Ken Berrill's (see Flag B) comments,

PRIME MINISTER

Yes please not

I will get Derek Rayner's people to draft minutes

for you to send to Mr Heseltine and Mr Callaghan.

EFFICIENCY AND WASTE IN LOCAL GOVERNMENT

Flag A ✓
Flag B ✓
Flag C ✓

1. You asked for my comments on the Secretary of State for the Environment's minute of 12 March.

2. I have seen Sir Kenneth Berrill's note to Mr Pattison of 27 March and agree with all that is said there. I have also seen the letter from the Secretary of State for Education and Science's private secretary to Mr Pattison of 13 February.

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(There is also a minute of Flag D from

Accounts Commission

3. I would add these comments to those made by Sir Kenneth Berrill -

to Unit Secretary -

a. I note that the Secretary of State for Education and Science thinks, as Sir Kenneth Berrill and I do, that it would be preferable to build up the District Audit Service rather than create an Accounts Commission. Indeed, I suspect that enthusiasm for this body is at best luke warm outside DOE.

he, like Rayner, dislikes the idea of an

b. I earnestly hope that, if the Commission is established, it can cover both England and Wales; I agree with Mr Heseltine's preference on this point.

Accounts Commission

c. I think that Mr Heseltine's reference to the Public Accounts Committee as a possible analogue may be open to question, on two counts -

i. The PAC represents Parliament as the giver of Supply. The Accounts Commission would not, as I understand it, represent the Supply function in any sense that MPs in the PAC represent it. To suggest that it did, in my view, would obscure the fundamental question whether the Government or Parliament want accountability by local authorities for resources supplied through RSG.

ii. The PAC model of accountability, in my view, places too much emphasis on investigating bad management. I believe that bad management can best be recognised and analysed if pains are taken to consider examples of good management as well.

d. Does the creation of the Commission square with the Government's policy to provide for greater local responsibility and, if not, what are the additional benefits compared to the alternatives put forward in our minute of 4 January?

Guidance on Good Management, Value for Money and Manpower

4. It is unclear from the Secretary of State's minute which of our recommendations on the production of various kinds of guidance and reviews are covered by the proposed initiative in the Consultative Council on Government Finance. You might wish to confirm with the Secretary of State that it will include Recommendations 4 (value for money), 5 (management roles) and 9 (manpower regimes), which I regard as a package, and also ask for a clear indication of the timetable to which he would be working.

Campaign Timetable

5. Whilst recognising and applauding the "vigorous campaign" being waged by the Secretary of State and his colleagues, I suggest that you ask for details of the campaign strategy, very much on the lines, "What do we want to have achieved by when?"

6. I firmly believe that it is important for any campaign, if it is to succeed, to be co-ordinated and targeted at specific things. The Annex to our minute was intended to provide guidance for such a strategy.

Education

7. I strongly support Sir Kenneth Berrill's suggestion that you ask Mr Carlisle for his conclusions on the role of the inspectorate in the context of getting value for money. Mr Carlisle was quite specific in saying at Mr Heseltine's meeting with us on 22 February that the Inspectorate lacked management experience and that their basic objective had not previously been concerned with cost effectiveness. So, if I may suggest it, I think you might ask for Mr Carlisle's views not "in due course" but by the end of the month.

8. In writing to Mr Carlisle I would urge you also to invite him to be very specific about the DES's contributions to effective management, again on a "campaign" basis as in paragraph 5 above. Sir Kenneth Berrill and I may indeed be "ignorant" of the detailed ways in which DES and its inspectors work, but he has had the advantage of being Chairman of the UGC and I the employer of many thousands of young people who have passed through the educational systems of the United Kingdom and Canada. I may not have an intimate knowledge of what happens in Elizabeth House, but I do know enough about the products of the system to find Mr Green's letter to Mr Pattison very disappointing. It did not in my view offer a convincing rebuttal of our observations or our suggestion that there is a need for a greater central lead on standards and an increased inspectorial role for the Inspectorate. I was particularly struck by these points -

a. The view that "value for money" is dependent on levels of expenditure.

This is so.
b. That, despite the presence of its inspectors in the field, DES does not know with any assurance how well an authority is operating. (This I find astonishing given the level of expenditure on education.)

c. The welcome attempt to determine standard expenditure for individual authorities "may be inhibited by constraints on manpower". (Surely this is a matter of priorities within DES?)

d. The suggestion that, despite the undoubted importance of the management function in education, DES's promotional activities "are likely to be vulnerable to the current squeeze on resources".

9. Although I recognise the difficulties attending DES's position in our constitutional arrangements, I think that the people for whom the educational service exists would only benefit from the development and application of a clear, thought-out DES policy on "value for money". I recognise too that, as Mr Green says, DES has done pioneering work over the years. So I hope that Mr Carlisle would produce for you a wide-ranging strategy as part and parcel of the Government's campaign on the people's behalf to help them get excellent local services.



Next Steps

10. If it would help, my office would be glad to produce draft letters to the Secretaries of State for the Environment and Education.

11. I am copying this to Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in blue ink, which appears to read "Derek Rayner", is written over a horizontal blue line. The signature is fluid and cursive.

DEREK RAYNER

3 April 1980