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PRIME MINISTER

PRESENTATION BY JOHN BANHAM: LOCAL GOVERNMENT AUDIT COMMISSION

I AM VERY PLEASED THAT YOU HAVE ASKED JOHN BANHAM TO GIVE US ALL A PRESENTATION ON THURSDAY. HE HAS ALREADY MADE A SIMILAR PRESENTATION TO KENNETH BAKER AND ME, AND I THINK YOU WILL FIND THAT HE PUTS OVER A STIMULATING AND CHALLENGING LINE. THE COMMISSION'S VALUE FOR MONEY WORK IS POLITICALLY IMPORTANT FOR US.

I HAVE LITTLE DOUBT THAT THERE IS ENORMOUS SCOPE FOR IMPROVING EFFICIENCY IN MOST LOCAL AUTHORITY SERVICES. THE PRESSURES WE HAVE IMPOSED HAVE HAD SOME EFFECT. THIS YEAR - AT LAST - AUTHORITIES' OVERALL ARE BUDGETING FOR NO REAL GROWTH IN CURRENT EXPENDITURE. MANPOWER HAS COME DOWN BY 4½% OVER THE LAST 5 YEARS. IN SOME SERVICES (EG REFUSE COLLECTION) ONE CAN SEE SIGNIFICANT REDUCTIONS IN UNIT COSTS. BUT THERE IS MUCH MORE TO DO.

THE AUDIT COMMISSION'S STUDIES ARE ALREADY SHOWING THE WAY, AND OVER THE LONGER TERM, THE COMMISSION LOOKS LIKE PLAYING A KEY ROLE IN IMPROVING VALUE FOR MONEY IN LOCAL GOVERNMENT. NOT ALL OF THIS WILL BE EXPENDITURE SAVINGS; SOME WILL TAKE THE FORM OF BETTER SERVICES DELIVERED.

JOHN BANHAM'S EXPOSITION OF THE POTENTIAL SOMETIMES SOUNDS A LITTLE TOO GOOD TO BE TRUE; BUT I THINK HE IS ESSENTIALLY RIGHT ABOUT THE DIRECTION AND LONG TERM SCOPE OF THE COMMISSION'S VFM WORK. THROUGH OUR TOP-DOWN MECHANISMS WE ARE PROVIDING A CLIMATE OF OVERALL PRESSURE ON LOCAL AUTHORITIES. WHAT THE AUDIT COMMISSION IS DOING IS DEMONSTRATING, ON THE GROUND, THAT IN SERVICE AFTER SERVICE THERE ARE MAJOR IMPROVEMENTS

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TO BE HAD. COUNCILLORS AND OFFICIALS WHO ARE EVEN HALF WILLING TO LISTEN CAN SEE THERE IS A REAL AND POTENTIALLY POPULAR ALTERNATIVE TO PROTEST. WHEN OUR LOCAL GOVERNMENT FINANCE STUDIES HAVE BORNE FRUIT, I HOPE THAT A SHARPER, LOCAL, BOTTOM-UP ACCOUNTABILITY WILL PROVIDE AN EVEN BETTER CLIMATE FOR VFM INITIATIVES.

EFFECTIVE FOLLOW-UP OF THE OPPORTUNITIES FOR VALUE FOR MONEY IMPROVEMENT IDENTIFIED BY THE COMMISSION'S INITIAL STUDIES IS A BIG PROBLEM THAT IS NOT YET FULLY SOLVED. THE COMMISSION CONCENTRATES ON MONITORED VFM PROJECTS IN INDIVIDUAL AUTHORITIES - AN INITIAL WAVE OF 1,600 OR MORE IS BEING FOLLOWED BY ANOTHER 1,000 A YEAR. HOW EFFECTIVE THE MONITORING CAN BE IN DELIVERING RESULTS IS NOT YET FULLY ESTABLISHED, THOUGH JOHN BANHAM MAY TAKE THAT STORY A STEP FURTHER. MINISTERS NEED TO DO OUR PART ALSO. KEITH JOSEPH HAS SET US A GOOD EXAMPLE OVER THE COMMISSION'S RECENT FURTHER EDUCATION REPORT. MY OFFICIALS HAVE BEEN DISCUSSING SYSTEMATIC FOLLOW-UP WITH OTHER DEPARTMENTS, AND I WILL WRITE SOON TO COLLEAGUES TO PUT THIS ON A FIRM MINISTERIAL BASIS.

THE AUDIT COMMISSION, USUALLY IN THE PERSON OF JOHN BANHAM, HAS TRIED SO HARD NOT TO APPEAR AS AN ENEMY OF LOCAL GOVERNMENT THAT IT HAS SOMETIMES GIVEN UNEXPECTED AID AND COMFORT TO OUR OPPONENTS. AND I HAVE TO SAY THAT ITS REPORT LAST YEAR ON BLOCK GRANT WAS ILL-CONCEIVED AND UNNECESSARILY POLITICAL IN PRESENTATION. THESE FRICTIONS HAVE BEEN GREATER THAN NECESSARY, BUT THEY HAVE ESTABLISHED THE VISIBLE INDEPENDENCE OF THE COMMISSION.

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I THINK JOHN BANHAM IS RIGHT TO PUT THE ROLE OF THE COMMISSION FORCEFULLY. FORCE IS NEEDED TO REVOLUTIONISE LOCAL GOVERNMENT EFFICIENCY. BUT THE REALLY BIG GAINS WILL COME WHEN THE YEAR BY YEAR VALUE FOR MONEY IMPROVEMENTS REALLY TAKE ROOT. THIS WILL TAKE TIME. WE CERTAINLY OUGHT TO SEE SIGNIFICANT IMPROVEMENTS COMING THROUGH IN THIS DECADE. BUT FOR US TO PUT FIGURES ON THESE NOW, AS JOHN BANHAM SOMETIMES DOES, WOULD RISK FALLING INTO THE OLD ERROR OF PLANNING ON HOPE WHEN WE SHOULD BE CONCENTRATING ON DELIVERY.

I AM SENDING A COPY OF THIS MINUTE TO SIR ROBERT ARMSTRONG.

A.H. Davis

P J

(APPROVED BY THE SECRETARY OF STATE AND SIGNED IN HIS ABSENCE)

3/7/85

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