SECRET AND PERSONAL

(2) file RH

cc John Riles
Policy Unit

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

26 April 1989

Dear Roger

ROLE OF LOCAL AUTHORITIES

Over the past three or four years the Government has reviewed most of the responsibilities of local authorities. These reviews have either reduced these responsibilities or changed the manner in which they are exercised in the direction of giving greater emphasis to local authorities as enablers rather than providers. The review of community care is also nearing completion. In consequence, the Prime Minister felt it would be a good time to take stock of the position reached and on the way forward.

The Prime Minister was, therefore, rather surprised to see the terms in which the Manifesto for the County Council elections had been drafted. In particular, she felt that the references to no further major structural reforms, on which she had not been consulted, were particularly categoric, and tended to pre-judge the outcome of the kind of examination envisaged above.

The Prime Minister would welcome a discussion with your Secretary of State on how to take matters forward. In preparation for this it would be helpful to have, within the next two or three weeks, a brief note setting out the position reached in relation to local authority responsibilities and the financial regime under which they operate; and on the issues which lie ahead.

I would be grateful if this letter could be seen by Ministers and officials directly concerned with the handling of the subject of this letter.

I am copying this letter to Sir Robin Butler.

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Roger Bright, Esq.,
Department of the Environment

SECRET AND PERSONAL

cc PJ

Prime Minister

Although the decision on Community Care means that local authorities will not lose as much responsibility as one time appeared possible, and the case for a major review is somewhat weaker, the Manifesto has gone too far in closing off options. Such categoric statements should have been cleared with you, though I believe DoE Ministers support what has been said. Agree a talk with Ted Ridley on the way forward?

AT 2514

Yes

Ref. A089/1048

MR TURNBULL

Role of Local Authorities

Flag A

This minute was not shown to DoE as we were waiting to get the Community Care decision out of the way.

In your minute of 30 January you recorded the Prime Minister's agreement that, once decisions had been taken on the Griffiths report on Community Care, the Secretary of State for the Environment should be invited to prepare a paper reviewing the role and structure of local authorities for a seminar at Chequers to be followed up with detailed work in E(LF). You will recall that this followed on from the Prime Minister's discussion of the subject at the value-for-money seminar on education on 11 January.

2. In view of the progress now being made on community care, I would have shortly suggested putting this plan into action. However, you have drawn my attention to a development, in the shape of the Conservative Party manifesto for next month's local government elections, Leading Local Government into the 1990s. - Flag B This includes the policy commitment that: - see page 14

> "After ten years of necessary and important reform, the Government's changes to the structure of local government are virtually complete. The Government does not plan any more major structural reforms, and it certainly intends to resist calls for the abolition of the county councils. Unlike Labour and the SLD, the Conservatives have no plans to develop grandiose schemes of regional government. Such fundamental changes to the systems by which Britain is governed would throw the present structure of local government

into chaos, and create extra tiers of bureaucracy which would achieve nothing and cost a great deal."

The manifesto also sets out a clear description of the role of local authorities as enablers rather than providers. - see para 9

3. This commitment not to have any more major structural reforms in local government is clearly an important new factor. My understanding is that the manifesto was written in the Central Office of the Conservative Party in consultation with the Secretary of State's political adviser; that it was seen by the Secretary of State himself briefly over Easter and he had very few comments; and that the one or two officials on the local government side of the Department who saw it took the view that it went no further than what DOE Ministers had already said.

4. In view of this manifesto commitment I do not think that it would now be useful to carry out the exercise previously envisaged. There may be some narrower issues in the field of local government which need to be addressed but I doubt whether it would be appropriate to embark on a fundamental review. Perhaps the best course would be for the Prime Minister to have a private talk with the Secretary of State about the possibilities, before proceeding further.

F.E.R.B.

ROBIN BUTLER

25 April 1989

CONFIDENTIAL

ANDREW TURNBULL cc Brian Griffiths

ROLE OF LOCAL AUTHORITIES

EEBSTAT 24/1

ATTUEKB 30/1

You will recall your exchange on this in January with Robin Butler (copies attached) following up the Prime Minister's wish for a review of the role of local authorities in the light of the impact of changes in their responsibilities. A Chequers seminar to launch this was envisaged once decisions on community care were out of the way.

I was thus surprised to see today's press reports of Nicholas Ridley's launching of the Conservative manifesto for next month's local elections, with its prominent commitments, which was widely reported. to no further major reform of local authorities and in particular to keeping the existing county council structure intact. Relevant page of the manifesto is attached: you will see how robustly this commitment is stated.

John Whittingdale tells me that the Prime Minister saw the manifesto last night (ie after the press launch). I am not aware of any further prior consultation with her. Yet there is a major policy statement here which appears to pre-empt the review she envisaged in January. (It also appears to cut across the Conservative Party's current review of local government structure in Scotland led by Michael Ancram.)

Has the Prime Minister been bounced on this by Nicholas Ridley and John Gummer? Both have indicated publicly in recent months their own preference against further change in local government structure, but this has come over as

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personal preference rather than as formal Government policy.

You may wish to ask the Prime Minister where she wishes to go from here? For my part, there is manifestly a case for looking afresh at local government's role and structure given all the changes in responsibility which have taken place and are continuing. The review envisaged in January would be the ideal mechanism to take stock of all this with a view to developing policies for implementation after the next general election. It would be a pity if the Government became locked in to the status quo by default.

John Mills

JOHN MILLS

13 April 1989

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

ROLE OF LOCAL AUTHORITIES

The Prime Minister has seen your minute of 24 January suggesting a timetable for reviewing the role and structure of local authorities. She was content with the proposal to start by commissioning from the Secretary of State for the Environment a paper for a seminar at Chequers, before moving on to detailed work in E(LF). She agreed that the commissioning of this paper should be delayed until decisions had been taken on the Griffiths Report on Community Care.

In putting your minute to her I suggested that, while work would begin within Government during 1989, it would be better not to publish anything until after the Community Charge has been launched in England and Wales next spring. The Prime Minister agreed with this.

(ANDREW TURNBULL)
30 January 1989

CONFIDENTIAL

a Mr Wilson C.O.
Nothing on structure &
more of a description of now
and be near future than a
blueprint for the 1990's
AJ

From: R T J Wilson
25 January 1989

MR TURNBULL cc Sir Robin Butler

ROLE OF LOCAL AUTHORITIES

I promised to let you see the attached study by the Secretary of State for the Environment, published by the Centre for Policy Studies a year ago.

RJW.

R T J WILSON

Policy Study No. 92

The Local Right

enabling not providing

Nicholas Ridley

CENTRE FOR POLICY STUDIES
8 Wilfred Street, London SW1E 6PL
1988

The author

The Rt Hon Nicholas Ridley MP has been MP for Cirencester since 1959. He was Secretary of State for Transport between 1983 and 1986; and, since that year, has served as Secretary of State for the Environment. Legislation which he introduced in 1985 opened up bus services to the forces of competition. Measures in the Housing Bill, which he is now bringing in, continue to encourage the sale of council homes – as well as giving council tenants the opportunity to choose alternative landlords, and spurring a revival of investment by private landlords.

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Preface

A few months ago, the Centre for Policy Studies asked me to write an analysis of the Conservative attitude to local government, to match Professor Regan's paper on the history of Labour attitudes to local government *The Local Left: and its national pretensions*. What has emerged is not quite that, but it is a document which I hope will form the basis for discussion within the Conservative Party and outside about the role of local government and the local councillor in the modern Britain which we are creating. I try to set out where the several legislative changes we are introducing will take us.

I want to make it clear that this is not in any sense an official government publication. There are no deadlines for representations or consultations. It does not make any announcements. But it is a serious attempt to set out the philosophy underlying this Conservative Government's policies, and to contribute to debate about the proper place of local government in our society.

Introduction

For the last 150 years local authorities of various persuasions have represented and served their various communities. They have been responsible for those public services which can best be provided locally under the supervision of democratically elected councillors.

But although this central purpose has remained unchanged, there have been many alterations in their shape, size, functions, procedures and finances. Authorities have been created, reorganised, merged and abolished as communities have grown and altered. New functions have been added and others have been taken away as needs have changed. Standards of provision of service required by the public have evolved all the time. Procedures within local authorities have changed to meet new methods of working.

Throughout its history, local authorities' expenditure and manpower have tended to grow and to consume a larger proportion of total public expenditure and of the gross domestic product. Growth has been particularly marked since 1945 with the expansion of education, social services and other labour-intensive personal services.

This expansion has placed a growing burden upon the sources of finance for local authority expenditure. It has also led to a growing public and political concern with many of the main features and aspects of local authorities,

- what functions should local authorities have? What things are best done locally and what can be better organised nationally? What functions need to be in the public sector and what could be better done privately?
- what standard of services is needed and what can be afforded?
- what areas should local authorities cover? How many people are needed to discharge the various functions? Is there any overlap or conflict between different types of authority?
- how should local authorities be organised to conduct their business efficiently, effectively and with propriety?
- what should be their financial structure? How can authorities

obtain finance for their functions on a fair, adequate and accountable basis?

- how can value for money best be obtained? How can the needs of the public (the consumer) best be served? How can undue influence of pressure groups be contained?
- how can the overall burden of local authority expenditure on the economy best be contained and related fairly to other public sector burdens?
- how can members and staff be obtained and retained to run the complex local authorities of today in an efficient and responsive way?

Since 1979 the present Government has had two overriding objectives in relation to local government. First, it has been essential to constrain the growth of local authority expenditure in order to stop it taking an ever-larger proportion of the total national product at the expense of other areas of the economy. Secondly, it has remained as important as ever to maintain and enhance the quality of those local authority services which the public really needs. In order to reconcile these two objectives it is essential for local authorities to concentrate on what is really wanted and needed by local people, to improve accountability, to eliminate waste, duplication and unnecessary functions, and to improve value for money.

We have made some progress towards these objectives since 1979. But it is not yet enough.

The need to eliminate duplication and waste was the main reason for abolishing the Greater London Council and the Metropolitan Counties. This has been successfully carried through with no diminution of services to the public, and very few regrets from anyone.

Abandoning or reducing functions that do not need to be carried out by local authorities at all frees resources to concentrate on those things which must remain local authority functions. For example, the progressive diminution of the local authority housing stock through the operation of the right to buy and other disposals frees resources and brings in capital receipts for other tasks.

Competition is vital to secure value for money. Local

authorities have long had excellent and stringent requirements when they let contracts for works and services to the private sector in order to ensure that there is keen competition and the best price is obtained. This Government is progressively extending this principle to the services provided by authorities' own staff. Direct labour organisations have been required to draw up proper accounts, and compete on an equal footing with outside firms. Now under the current Local Government Bill, the same competitive disciplines will be extended much more widely.

The total of central government support to local authorities through the rate support grant has been reduced in order to bring home to them the need to restrain spending. And this financial pressure has been reinforced by targets, grant adjustments and rate limits for individual authorities.

The results of these policies over the last eight years have been mixed. The rate of growth of local authority expenditure slowed down initially but has recently increased again. Total manpower too fell for some years but has been increasing for the last two years.

We need to make further efforts to secure better local government for the future. Two of the keys to success lie in strengthening accountability and extending competition.

To strengthen accountability we need a more direct relationship between payment for local services through local taxation and the service being provided. The community charge will provide this. All adult citizens will be liable and will have a much stronger interest than at present in holding their councils to account through the ballot box.

Competition is a spur to efficiency and value for money wherever it operates. Too much of the public sector has been insulated from it. The spread of competition in education, housing and other local services should do an enormous amount to improve standards of efficiency. Measures to bring this about are already in hand in the Education Bill, the Local Government Bill and the Housing Bill.

Ultimately, however, the future of local government lies with the people who elect their Councils and receive their services. The last eight years have seen an extraordinary divergence of response from local authorities to the opportunities

provided by sustained economic growth and to this Government's radical new approach to the country's problems. At one extreme there have been authorities – Labour controlled – which have refused to recognise reality. They have expanded their spending and manpower often and to no very useful purpose. While the country as a whole has woken up and looks to the future with confidence and hope, they have continued to preach a measure of decline and hopelessness, a message which has sapped local enterprise and morale. They have lost touch with the beliefs and attitudes of ordinary people. They have imposed massive rate increases on their long-suffering rate payers. And some of them have now got into financial difficulties.

At the other end of the spectrum there are Conservative authorities which have taken up the challenge of accountability and competition. They have scrutinized every service and introduced competition. They have disposed of unproductive assets to those who can use them better. They have sought out ways to encourage the private sector and to stimulate the local economy. They have kept closely in touch with the needs and wishes of local people, they have improved services and reduced rate burdens.

This pamphlet is about how to extend this revolution from the few to the many. The Government can set the scene. But we need allies in every authority in the country dedicated to the same objectives and ready to take up the struggle.

1

Responsibility of central government

Some people appear to believe that there was once a 'golden age' for local authorities when they were able to operate largely on their own initiative to provide services free of government controls on spending, borrowing and the formulation of policies. They argue that this is justified by the local mandate which local councillors obtained from their local electorate, and that the object should be to get back that degree of freedom.

This is a misreading of history. And the attempt to obtain that degree of freedom by some local authorities is to pursue an unobtainable and undesirable illusion in which the public are the losers. Parliament must continue to play a role in determining the essential framework in which local authorities operate, and in judging their appropriate share of the national cake. But within that framework the Government is keen to avoid unnecessary and time-wasting bureaucratic controls which frustrate inititiave and responsibility at local level.

Going back to the nineteenth century Brian Keith Lucas and Peter Richards in their *History of Local Government in the Twentieth Century* characterised Victorian attitudes to local government thus,

> The Victorian tradition was that local government was a necessary evil; [its] services were essential and the local bodies providing them needed to be kept in check. They should not be allowed to undertake functions other than those approved by Parliament. There should be some element of central scrutiny to see that money was not wasted and in some services to ensure that minimum standards of provision were maintained.

And local authorities were kept in check – by strict *ultra vires* rules which were unpopular with local authorities, reinforced by periodic inspection and the audit of local accounts.

In the 19th century, local government powers could be expanded only by Parliament. There were much stricter controls on borrowing; borrowing powers were commonly obtained

though private Bills: controls were strictly imposed on the amounts borrowed and on the period of loans. And in the 19th century, just as now, there were problems over central government grants paid to local authorities. In 1888, central government broke away from the principle that the central taxpayer should be expected to provide a set proportion of whatever local authorities decided to spend. Instead it introduced an 'assigned revenue' system of grants to local authorities which by assigning the proceeds of certain taxes broke the link between expenditure and grants of a percentage grant system. That was not very popular with local government, either.

Throughout the earlier years of this century the number of specific grants, accompanied by detailed rules, increased and covered not only large services like education and health but smaller services like air raid precautions, physical recreation and training, midwifery services and so on. In the 1950s nearly all central government grants came with strings attached, and Whitehall controlled many detailed decisions.

In 1958, however, the pendulum began to swing the other way. In that year a number of specific grants were replaced by a new general grant and a large number of detailed controls were abolished or modified. Further simplification and abolition of controls have followed in successive local government Acts since then.

Central government must, however, continue to play an important role in relation to six key areas,

- the constitutional framework of local government and its practices and procedures;
- determining the main functions of local authorities and the framework within which they should operate;
- the overall burden of the local authority sector on the economy;
- the levels of taxation on all the different groups in society;
- standards of provision for services of a national character; and,
- value for money in the provision of local authority services.

Local authority practices and procedures: the Widdicombe Report

The framework within which local authorities operate has recently been comprehensively analysed in the Widdicombe Report on the Conduct of Local Government 'Business. The report stressed the essential part which healthy local government can play in providing the means by which people can participate in public affairs at the local level.

The Committee found much to admire in the way local authorities operate; but they also found some serious weaknesses. They set themselves,

> to make recommendations for the conduct of local authority business which will assist in the development of a way of operating that is stable, locally responsive, widely accepted and attuned both to political reality and to the effective delivery of services.

That objective is exactly right. The Committee made a large number of recommendations about the organisation of council business, the functions of members and of officials, safeguards against abuses, the role of the auditors and the local ombudsman. Some of the improvements needed may best be made by local authorities themselves. But for others there will clearly need to be some legislation. In deciding about this, we must remember that local authorities will soon be working in the changed circumstances which the Community Charge will bring about. Thus the need which Widdicombe identified to help authorities to be more responsive and accountable to their local electorate, to encourage competition, and to reduce the capacity of special interest groups to exert undue influence on decisions is already being tackled. If the accountability, responsiveness and efficiency of local authorities can be improved in this way there will be much less need for central controls and intervention.

Enforcement of national standards

It is not easy to achieve the right balance between central and local government in the organisation and provision of services to the public. There are many individual services in which central government has an interest and for which it is held responsible

by the electorate. A substantial proportion of the commitments made in the manifesto of any national party concern services directly provided by local authorities: housing, education, personal social services, public transport, environmental health and so on. At the same time, however, there is widespread agreement that the organisation and management of these services is best undertaken at local level, and that decisions about levels of service or new developments are a proper matter for local political discretion.

For some services the national concern with the standards and methods of operation and functions has always been paramount. The police and fire services are obvious examples. In other services, principally those of a regulatory nature, a tight statutory framework governing the standards and procedures to be applied locally has always been necessary – planning procedures, building regulations, environmental safety standards are good examples. At the other extreme there are services such as the provision of recreation and leisure facilities which are are almost entirely a local matter, and in which there is little need for central government involvement.

Education is an example of a service in which there is a very strong national interest, and a growing national political concern with standards. Many people find it unacceptable that simply because of where they live their children should have a different standard of education. They regard education as a service which should have high standards throughout the country. We believe therefore that it is right to set a national core curriculum for education so that parents have some yardstick with which to judge the education that their children are receiving.

What is clear in all this is that the more effectively and efficiently local authorities operate in providing services in an accountable way, responsive to the needs of their local communities and competing effectively with other providers where that is relevant, the less need there is likely to be for central government and detailed control. That is why improvements in the local operation of service and of local authorities are so important. Conversely, where local responsibility breaks down there is inevitably stronger pressure for central intervention. I am determined to recreate the situation

in which local solutions to local problems can satisfactorily be found.

Local authority spending and accountability

Our proposals to reform local authority finance were triggered by our concern about the burden of local spending and taxation. Local authority spending accounts for 25% of total public spending, and in spite of the various measures of constraint current spending has risen by 18% in real terms over the past eight years. That is only an average, and the figures conceal wide variations. It is often in those areas which can least afford the burden that overspending and overmanning have reached absurd levels and have had a deleterious effect on the local economy. In order to fulfil national economic objectives, we must exert a downward pressure on local authority spending as well as on national spending.

In the Government's Green Paper *Paying for Local Government* we analysed two alternative ways forward – increasing central control or improving local accountability. We pointed out that increased central control of local government spending might at first sight appear an easy answer to the problem, as its results could be substantial and guaranteed. We rejected the various versions of increased central control, however, because they would all have required government departments to get drawn into detailed financial affairs of local authorities, would have increased central and local manpower, would have led to further dilution of local accountability ,and would have exacerbated conflicts between the central and local authorities.

The alternative of improving local accountability must be the better way forward. It guarantees the continued existence of a healthy democratic system of local government. It should reduce the tension between central and local authorities. It should help to ensure that services are provided more efficiently. And it will strengthen the link between the local authority and those who live in the area.

Local accountability depends crucially on the relationship between paying for local services and voting in local elections. Of the 35 million local electors in England only 18 million are liable to pay rates, and about a third of those receive full or

partial rebates.

The Victorians interpreted the concept of democratic accountability by limiting voting rights to ratepayers. We intend to widen the liablity for local taxation to nearly all voters through our Community Charge proposals. This is a logical step towards greater local authority freedom. It should allow us to stand much further back from local government because the electors will stand much closer.

Our reforms of the grants system will also assist accountability. At present the distribution of the rate support grant is so complicated and varies so much between authorities that sensible planning and accountability is seriously damaged. Rate levels fluctuate from year to year to reflect changes in grant levels that may have little to do with changes in expenditure. So ratepayers do not know whether to hold the authority or the government to account for the changes in the rate levels. Under our new proposals changes in Exchequer grant will be distributed as a single amount related to a simplified needs assessment for each authority, and will not be affected by the authorities' own decisions on expenditure. There will therefore be a direct relationship between each authority's spending level and the Community Charge which it has to levy. And the electorate will be able to make direct comparisons between different authorities on the standards of service they provide and the level of charge they levy.

Efficiency and value for money

Value for money remains a major concern for both central and local government. Successive studies by the Audit Commission have identified the tremendous potential for improvement in local government across the whole range of their services. Many of these reports confirm our view about the importance of the stimulus of competition. Competition has sharpened the operation of many local authorities' direct labour organisations, or led to the transfer of work to more efficient competitors in the private sector. Now we are extending this kind of competition to a much wider range of local authority services.

2

Local authorities in the future

Local authorities are big business. English authorities spend between them nearly £50 billion a year. They employ nearly two million people, 12% of the total workforce.

During the past eight years the growth of expenditure has been reduced from its rate of increase in the 1970s, but it has recently started to rise again. Overall manpower fell from a high point of 1.975 million in 1979 to 1.887 million in 1982, but it started to climb again in 1985 and is now back to 1.924 million.

Within these overall changes there are interesting differences between services.

Manpower in education has fallen by 58,000 mainly due to falling school rolls, transport by 17,000 (following bus privatisation), refuse collection and disposal by 12,000 (following contracting-out) and construction by 19,000 (due to the effect of competition on direct labour organisations and some reduction in activity). By contrast, social services have increased by 30,000 (following demographic changes and shifts in policy towards more care in the community), housing services by 12,000 and law and order by 20,000.

These figures suggest that although there have been some clear improvements in efficiency and value for money in some services (particularly those where competition has been introduced) the resultant savings have not yet been enough everywhere to secure the Government's objective of restraining the growth of expenditure while enhancing the quality of services. This is confirmed by successive reports from the Audit Commission identifying many areas in which significant improvements in value for money should still be possible.

Looking to the future, what further changes to the pattern of local government activity can we expect as our policies on greater accountability and competition take wider effect, and as other changes come into play? Clearly the answers will be different for different services and functions. For example, in housing, parts of the social services and parts of the transport services, I can foresee a much more diverse pattern of provision in the future by a variety of different agencies working alongside

local authorities. The role of the local authority will no longer be that of the universal provider. But it will continue to have a key role in ensuring that there is adequate provision to meet needs, in encouraging the various providers to develop and maintain the necessary services, and where necessary in providing grant support or other assistance to get projects started, and to ensure that services are provided and affordable for the clients concerned.

For other services, principally those of a regulatory kind, there may be less scope for a diversity of providers or for direct competition with the private sector. In these cases the impulse for competition and improved value for money will have to come from within the authority, from the stimulus provided by comparisons with other authorities, and from the investigations of the auditors.

Education

There will inevitably be differences between services as to whether the influence of local accountability or national concern with standards is dominant in bringing about change. In education, for example, there is at present a strongly articulated national political demand for the introduction of national standards of assessment and attainment. The current Education Bill provides the means for bringing these standards into effect. At the same time there is a growing local demand for more local influence over individual schools, and from other educational establishments to have more control over their own destinies. The strengthening of the power of school governors, and the new proposals for allowing individual schools to opt out of local authority control, reflect this demand. As the national standards establish themselves, and as opting out leads to a wider variety of providers of education there will be effectively more competition and more stimulating comparisons between different areas and between schools. All this will put education authorities on their mettle to keep their standards up to scratch, and to achieve an efficient delivery of education.

Social services

In social services there are constant demands for increased provision of services for a variety of clients. The numbers of old

people are steadily rising. The trend towards care in the community instead of in institutions needs the development of new support services. But this too is an area where authorities ought not and need not regard themselves as the universal suppliers. There is a whole range of private and voluntary agencies able and willing to play their part as well as to support those who need help. The role of the local authority should be to encourage diversity and alternatives, with some elements of competition between the different providers. The social services are performing an essential role of caring. But it is sentimentality to argue that therefore they should be exempt from the same disciplines of competition and value for money as other parts of the public sector.

Transport – the benefits of competition

Transport and local bus services provide a good example of how competition can improve standards and value for money, following the legislation I brought in in 1985 to open up services to competition.

Throughout the debates on that subject, the Government was accused of attacking local democracy. Councils who had managed their affairs for years by signing the annual cheque to the local bus company, and others who had thought they had planned a complex 'coordinated' and 'integrated' network, strongly objected to the idea that the market – ie consumers – could actually make better choices than the council computer model. What were the results? Between 1975 and 1985, fares had risen by up to 24% in real terms. Between 1975 and 1985 subsidies, (not taking into account free bus passes or tokens) had increased from little or nothing to over £500 million. On deregulation day in October 1986, some local authorities reported immediate savings in subsidy of 40% while broadly maintaining levels of service. Between October 1986 and November 1987, bus mileage actually increased by 12% after years of decline. 250 areas now have minibus services and the market share held by private sector operators has increased from 8% to 12%. 83% of services – a much higher figure than anyone predicted – run commercially and without subsidy. Already 47 NBC subsidiaries have been sold, with more to come, although we were assured that privatisation and competition could not proceed together.

In this process, the role of local government in transport provision has been transformed. It hasn't diminished – indeed the job is more challenging – but it has changed. Before the 1985 Act, there was no competition. Local authorities had to substitute their 'guesstimates' of the market place for the reality in negotiation with a monopoly operator. They presided over an opaque system of cross-subsidy from popular to unpopular routes which distorted market forces by pricing people off the popular routes. Now the market – bus operators interpreting passengers' wishes – operates without intervention except in the enforcement of safety standards and requirements of professional competence. The local authority's role is confined to two political decision-making functions, both involving straight value for money considerations: first to provide subsidy directly for tendered services on routes which would not be viable without subsidy, but which the council considers necessary for social reasons; and second to fund fare concessions for particular groups of people whom they feel have a strong social need. In other words, instead of being providers, they are facilitators and enablers. They step in to help where the market does not supply, and use public money to provide services where they feel for social reasons it is necessary.

Surely this is a perfect example of local democracy working as it should? To most people it is largely irrelevant who provides the service, so long as it is there, corresponds with their needs, is good and efficient – and they pay as little as possible for it. It is the market place which is the most efficient mechanism for providing goods and services where there is a demand for them. But where there is not enough demand to make a service viable then it is a proper matter for political discretion as to whether other factors justify the use of taxpayers' and ratepayers' money to provide a service. The function of both national and local government is to reconcile such conflicting interests, but not surely to seek to provide services which would be provided efficiently without their help. What after all is the reason for trying to supplant the market? It is to interfere with choices made by individuals which the market works to satisfy. In transport, the complicated web of cross subsidy which supported the old regulated system meant that potentially profitable routes were overpriced and potential custom driven away so that

people were denied the choice which they should have had.

Exactly the same principles can be brought to bear when we examine the role of local government in providing other services: on housing, and education. In housing, council tenants who already have the right to buy will be given a new right to choose a new landlord if they feel dissatisfied with the performance of the local authority as landlord and think they can get a better deal elsewhere. In education, parents are being given the right to get out of local authority control where they are not satisfied with the service provided by the local education authority.

Housing – ripe for more competition

By the time the right to buy has run its course we estimate that somewhere around 1.5 million council homes in Great Britain will have been sold to their tenants. That would still leave around 5 million homes in local authority ownership. Many of the remaining tenants will not want to buy or may not be able to afford owner occupation. All the more reason for ensuring that their housing is supplied efficiently. To do that we need to break up the local authorities' near-monopoly of rented housing. In our new Housing Bill we are giving council tenants an opportunity to choose an alternative landlord; encouraging a revival of investment by private landlords; encouraging more private finance for housing associations and making plans to set up Housing Action Trusts to improve conditions, diversify tenures, and bring in private sector money and expertise in some of the worst housing areas.

This more pluralist approach should not only be more efficient; it will be much better adapted to today's housing problems which vary so much between one region and another; between inner city, suburb, small town and rural areas; and between different types of tenant.

But there will still be a key role for local authorities. Freed from having to be managers and providers of general housing, with all the day to day problems that that entails, they can concentrate on ensuring that those who are genuinely in need, and unable to get adequate housing on the open market, are properly catered for. To do this they will need to retain a range of clearly defined powers and responsibilities. Many local

authorities are themselves coming forward with proposals for disposing of their remaining housing stock. We greatly welcome and are encouraging this trend. The less they have to own or manage directly, the freer they will be to concentrate on their role of facilitator and enabler. They will be able to devote more attention to the tasks of ensuring an adequate supply of sites for housing, for example through planning decisions; for channelling grants and subsidies towards the people and areas in greatest housing need, for carrying out the roles of monitoring and inspection, for instance of fitness and safety regulations ; for ensuring that there are adequate arrangements – perhaps through contracts with the providers – for housing the homeless, and vulnerable groups such as those released from institutions for care back into the community.

This is not a minor role. It does not imply a diminution in the importance of local authorities. It means simply that authorities will concentrate on those tasks that only the public sector can do. Freed from other concerns, they will be able to carry out that role more objectively and more efficiently; providing better value for money, and ultimately better housing for those in greatest need.

Competitive tendering

For the services which will be subject to competitive tendering, that process, providing the council sets and monitors performance standards properly, will guarantee the customer value for money. Again, there is no reason whatsoever why the management of these services has to be 'political'. In all these cases the emphasis shifts from the council as monopoly provider and manager to the council as enabler and monitor, and casts the spotlight on its role as the maintainer of high standards. No council which can put its hand on its heart and say that it provides and runs the most efficient and customer-responsive services possible has anything to fear. If it is right, it can expect its workforce to win the contracts and its tenants and the parents of children in its schools to recognise that fact and not wish to opt out of local authority control. But the effect of these pieces of legislation on those who are not quite so confident – and there are many of them – is already apparent. The local authority union NALGO are urging their shop stewards to introduce more

efficient working practises so that they can win the contracts when the new legislation comes into effect. A whiff of competition can have a greater effect than years of time-consuming and often fruitless negotiations between employers and employees.

What underlies these policies is the concept that it is for local authorities to organise, secure and monitor the provision of services, without necessarily providing them themselves.

Inner cities

These principles apply to all authorities, but perhaps the greatest opportunity to make them work is provided by the inner cities. The only way that prosperity can be brought back to some of our older industrial areas and inner cities is by getting the private sector to invest in regeneration, and by encouraging those who want to be enterprising to bring employment back to the city by their activity. Local authorities can enable this to happen by their attitudes and their actions, particularly on planning, land assembly and rate levels. What they cannot do is to create and sustain the development themselves. They (or rather their electors) cannot afford to finance it on a sufficient scale, nor will they be able to interpret demand as sensitively as the market. Again they are more likely to succeed as enablers than as providers.

Local authorities' capital programmes

The same principle should surely apply to local authorities' capital programmes. Local authorities in England are spending £6.2 billion in aggregate on capital projects this year. This is mainly financed by borrowing or capital receipts which would otherwise be used to repay debt or used by others to invest. So local authorities capital programmes have an immediate effect on public sector indebtedness which in turn is an important element in economic management. Because it is desirable to reduce public sector debt to a minimum (even the Labour party seems to be coming to this view – at least as applied to the US economy!), we should ensure that as much capital expenditure as possible is financed by the private rather than by the public sector.

Local authorities finance new council homes, sports

centres, leisure centres, shopping centres, industrial estates as well as many other things. But do such things need to be provided at public expense at all, let alone by public investment? Why not let the private sector provide them – maybe better? Spending public capital resources on buildings which could as easily be built and run by the private sector ties up huge quantities of public resources when there are many competing programmes where public sector capital expenditure is essential. It is perfectly possible for local authorities to provide pump priming finance or subsidies specifically for the people they are trying to help – for example subsidised rents for poor tenants or subsidies to enable the least well off to attend sports or leisure centres, or to use public transport – without necessarily having to own or build or run the facilities themselves. Should it be a function of local government to own retail centres, or factory units? Many councils – and not just Labour controlled councils – think that it is a necessary part of their activities. It may be right to use public money to bring such facilities into existence, but continued ownership does not seem a sensible use of the taxpayers' and the charge-payers' resources.

Local authorities own much that it is necessary for them to run, but too much that is unnecessary. Many local authorities do not even have a handy list in one place of all council houses, arts centres, leisure centres, shopping centres, workshops, and bits of land which they own. And even those authorities which do have lists often have no idea of the price their properties would fetch on the open market.

This Government goes in for private ownership, because assets in *private* hands are cared for and used efficiently, while assets in public hands have too often been allowed to decay and stagnate and become a burden on the community. Our direct holding of land and buildings is minimal and for essential purposes – mainly for Defence and departmental offices. The process of making state-owned businesses more efficient through privatisation has yielded tremendous receipts for the Exchequer. Selling the ownership of 16 major businesses since 1979 has reduced the state-owned sector by more than a third, and has brought in £16 billion. We expect to bring in almost as much again by the end of the financial year 1989/90. This means that our borrowing and national debt are, cumulatively, much lower

than they would otherwise have been. This is essential for the productive management of the economy.

Over and above the national privatisation programme, there has been a massive transfer of local council assets to the private sector. Sales of over a million council houses to tenants, mostly under the right to buy, have brought in £5.5 billion. Sales of other local authority assets have raised £3 billion. The sale of New Town assets has raised £1.5 billion. In all, this is another £10 billion so far. All this has contributed to the better management of the economy. And the better care for these assets is visible in fresh paint and improvements on the face of formerly drab and uniform council estates. Efficiency has been served because of the greater pressure in the market place of the private sector to use assets efficiently. What was a burden is now producing real satisfaction and real wealth. The family silver gleams on the family table, it doesn't languish unpolished in the store cupboards of the public sector. And rates and taxes are lower than they would otherwise be.

If we are to have stable sustained growth in the economy there is a limited amount that the government can afford to set aside for public spending on housing. A great advantage of our policy of selling council houses and other assets is that the reduction of what was a burden on the community liberates a proportion of receipts for further spending on housing. Thus, for the financial year of 1988/89 the gross provision for such public spending is just over £3 billion of which £1.9 billion is accounted for by public receipts. The fact that a local authority may be able to spend only 20% of its capital receipts in one year does not prevent these capital receipts being a tremendous help in meeting the cost of our national housing problems.

These massive asset sales are necessary, since local authorities have tended to accumulate so many assets in the past. Imagine how things would have stood if they had not been sold. How many more local authority houses and flats would have been decaying? How many of the buildings now being put to good use, and how much of the land now being developed, would have remained under-used or altogether idle? How much greater would have been the burden on the people who pay through rates and taxes? Had they never accumulated these assets, local authorities would (within the constraints of the

management of the national economy) have been freer to invest where investment was needed in the public services and infrastructure; freer to provide pump-priming finance where necessary and more open minded about securing services from effective competition and targeting subsidies on those who need help. Municipal ownership of property, like municipal management of a massive workforce, is a distraction from the proper job. Far too easily it becomes an end in itself. The drive to dispose of assets did not really begin until 1979. The message has been slow to get through. It is a priority for both central and local government to put all their assets to effective use, and that is often better done in the private sector. In doing so, we will reduce these vast debts, symbols of the burden that so much municipal property has proved to be.

There will clearly continue to be a substantial role for local authorities in the 90s and beyond. Those who speak as though we are seeing the end of local government are quite wrong. The functions and services which have been provided by local authorities will be as necessary as ever. But authorities will need to operate in a more pluralist way than in the past, alongside a wide variety of public, private and voluntary agencies. It will be their task to stimulate and assist these other agencies to play their part instead of, or as well as, making provision themselves. Comparison and competition between authorities will bring increasingly potent pressures towards value for money in all services. And greater accountability will mean that the public are increasingly able to insist on high standards.

3

The role of local authority members

Inside every fat and bloated local authority there is a slim one struggling to get out. It is the role of politicians both nationally and locally to assist in this struggle.

Government's role at the centre is that of the consultant prescribing remedies. For a few of the most overweight authorities our remedies have had to be somewhat severe and painful. We have had to put direct limits on excessive growth through rate limits and grant penalties.

But for the great majority of ordinary authorities a regular pattern of prudent control of expenditure and search for value for money is a much better discipline than external controls and regulations. A few authorities have already made major progress in this direction. But I am concerned at the tendency to middle aged spread in a large number of average authorities of all shade of political opinion. Inefficiency is not, I regret to say, confined to councils run by the Terrible Trots. That is why I want to re-invigorate them with the fresh air of competition and greater accountability.

A central political task for local councillors in the years ahead is to apply these ideas and principles to their authorities. Some unfortunately seem to think that the application of ideas to the practice of administration in this way has a limited role in local government. The use of competition and privatisation as a means to secure better and more cost effective services are seen by many people in local government as having little relevance to them. The idea which we have consistently and successfully pursued at a national level that where the private sector is better at providing goods and services than the Government then it should do so, has not penetrated deeply enough into local government circles. Similarly, there is still a marked preference for the public sector to provide capital assets even when it is perfectly possible for the private sector to provide them and run them profitably (if necessary, with pump-priming finance or specific subsidies from the local authorities). There is a notion that the more massive the ownership, and the more widespread the provision, the more imposing does the council

become and the more central in the eyes of the public. The temptation to municipal aggrandisement is strong.

A radical politician trying to direct the actions of a conservative administration or indeed change the perceptions of his political colleagues (supported perhaps by the more go-ahead local authority officers) never has an easy task. There are always many reasons why changing the habits of decades is resisted. It requires determination and conviction – political conviction – to stand up to resistance to change and to push it through. The resistance faced from vested interests by the Conservative administration of Wandsworth Council to their policy of privatisation and competitive tendering required immense political courage to overcome. Anyone wanting to learn the lessons should read Paul Beresford's excellent CPS pamphlet *The Good Council Guide* (Policy Study no 84, April 1987). As a practical lesson in 'best practice', nothing I could say would improve on his account. In Wandsworth the politicians, backed up by able and loyal local government officers won, and the result has consistently shown up in good poll results for the Conservative administration (confirmed again in a recent by-election in November 1987); in an increase in 'front line' services at the lowest local rates in London; and in a considerably slimmed down but better motivated workforce whose initial scepticism was replaced by pride in working for a model administration.

Between 1978, when the Conservatives won control of the council, and 1985, staff numbers were reduced by a third. Every fringe activity was rigorously examined and the number of departments and directorates was reduced. Competition and privatisation were extensively introduced. The council was successful in achieving lower expenditure and a lower rates bill. But they were determined that the quality of core front line services should be maintained and enhanced.

There is no reason to suppose that savings comparable to those realised in Wandsworth could not be achieved by other councils. In 1978 Wandsworth had rate levels similar to those of other inner London boroughs, but its local rate is now one of the lowest in London and its standards of service stand comparison with any.

In political life, councillors are subject to pressures from a

variety of different sources : from outside local interest groups demanding this or protesting against that: from the Councils' own workforce and its Unions – very powerful lobbies: from local members of the political party they represent and from their own political colleagues: from the media and of course from the general public. Councillors are elected to serve the general public, but what the general public 'wants' is difficult to judge from a pile of ballot papers, particularly when in local elections only a minority of electors bother to vote; and they tend to vote on national rather than local issues. It can be difficult for the politician on the basis of the representations he gets from the public to assess what is in the public interest. A councillor's ward casework consists largely of people with particular problems: council tenants who want to transfer, or Mrs Smith angry about her neighbour's proposed extension. At a 'group' level there are lobbies arguing for more resources. In these circumstances it is too easy to respond to problems according to the pressures of who shouts loudest at the time. The council workforce is itself one of the most clamorous interest groups. Fear of conflict and disruption and of being unloved is, I suspect, one of the major reasons why so few councils have put services out to tender.

Most councils still subscribe to the principle of central wage negotiations, which continue to award wage increases above inflation without commensurate productivity strings. Though the difficulties of opting out of such national machinery are very great, very few want to do so. For many local government services, our competitive tendering legislation will exert a pressure on local authorities and unions to take more account of local market conditions when setting wage rates and working practices. Indeed one hopes that many council workers will form companies to compete for contracted out work, and in due course take their companies into the private sector.

What the general public wants of local government is that it should provide good services as efficiently as possible. It is above all the duty of councillors to ensure they achieve it by the application of these principles:

- that while the public sector should set and enforce standards and determine the level of provision, competition is the best

way of securing value for money.

- that we should always question whether it is right for the public sector to do a job when private individuals or companies could and would compete to do the job themselves.
- that we are seeking wherever possible to encourage personal responsibility rather than promote the State as universal problem-solver and safety net.
- that the delegation of as much as possible to the private sector enables the local authority to direct resources better to where they are most needed and provide for them more effectively. It also helps to promote local firms and jobs and entrepreneurs.

We need members and officials who are not wedded to the power base of a large department; who do not believe that success is measured by the number of staff they employ and the amount of money they spend; who are not the prisoners of any presure group; who are not overinfluenced by the unions or other producer groups. Their task is first and foremost to serve the public, the consumer. If the public can best be served in some area by private sector provision, then the task for the authority is to work out how this can be achieved and to assist and encourage the private sector. If a variety of providers is desirable then the council needs to work out how to encourage diversity and fruitful competition. If regulation is needed then the task is to find how to do this fairly, efficiently and swiftly without stifling initiative and enterprise. We need people who are prepared to test the advice they get against these principles.

4

The Conservative response to change

I know I have not delivered the CPS request to provide an analysis of the history and present aims of the Conservative Party in local government to balance Professor Regan's analysis of the Labour Party in local government.* But one thing became clear fairly quickly as I embarked upon the task. An analysis of Labour in local government cannot be parallelled by a paper on Conservatives in local government. Thankfully indeed, one cannot point to ideological 'trends' and 'groupings' in the ranks of Conservative councillors in the same way as one can in the Labour Party, throughout which there permeates the doctrine of 'Municipal Socialism'; which has done so much harm to local interests.

Conservatives have always been more pragmatic and locally based in their approach. In the 19th century one could find Tory council groups in cities not so far apart believing quite contradictory things. At the turn of the century, for example, when the debates about municipal spending were essentially between 'improvers' and 'economisers' – those who wished to finance new facilities and those who wished to retrench, the Conservatives were 'economisers' in Manchester, but 'improvers' in Liverpool. Indeed the improving proclivities of Liverpool Conservatives led them to endorse municipal provision of tramways, electricity and even a zoo in the early years of the 20th century. In my experience there are still enormous variations in the way different Conservative councillors perceive their role. So it is difficult to define coherent political 'trends'.

Conservatives go into local government often for reasons which have little to do with theoretical politics. They might for example have been affected by a council decision and been drawn into politics by the thought that they could do the job better. They might have come in through their involvement in the Party at a local level, an involvement which often has a

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* *The Local Left; and its national pretensions.* David Regan, Centre for Policy Studies, November, 1987.

strong social element. There has been a strong tradition of 'Independent' councillors. Many of these have now become Conservative but still tend to eschew links with the central party organisation and are generally suspicious of party politics as applied to local government.

This is healthy in many ways, but there are dangers in too little politics just as there are dangers in too much. What I have described in this pamphlet is a more sharply defined idea of what it is that local politicians are there to do. It is a Conservative idea but it is also a practical view of the best way to provide good local services which should apply to all local authorities, whatever their political persuasion. It should particularly appeal to Conservative councillors.

The problem is that in the widespread dislike among Conservative councillors of 'politicisation', what is political and desirable sometimes gets confused with what is political and undesirable. We all agree in deploring the 'gesture politics' and dubious political tactics associated with the Labour Left: the extravagant spending on blatantly political aims: the use of local government as a platform to conduct political warfare against central government rather than as the means to provide efficient local services: the autocratic domination of the political caucus overriding individual judgement. But too often the dislike of the 'political' extends to a rejection of policies put forward by a Conservative government which would greatly assist councillors in providing better service to the public: policies like competitive tendering or privatisation. Going on from that, while Conservatives applaud the tremendous achievements of this Government in getting inflation down and setting the economy right, they do not always see how the controls which we have on local government spending, borrowing and use of capital receipts are an essential and integral part of the strategy that made these achievements possible; nor quite see how they can achieve similar success through employing similar policies.

John Gyford in his book *Local Politics in Britain* defined three levels of the councillors' idea of his role.

> 'At one level the councillor might insist that the policy making is the politicians' prerogative and might devote much time along with his political colleagues to devising policies in line with their

shared political objectives. Or the councillor may be happy to leave policy initiatives largely to officers concentrating his attention on examining the proposals they bring forward to ensure that they are politically acceptable. Or yet again they may accept quite uncritically whatever policies are put forward by the officers deriving satisfaction not from the content of policy so much as from 'being in the know', 'pushing things through' and 'getting things done'.

In my view, the first definition is a definition of the proper role of a politician – any politician – and we wish to encourage that in local government. So to that extent, I would like to see my colleagues in local government become more politicised. This Government is a radical government with a radical message. It is not prepared to rubber-stamp time honoured policies and practices which have been responsible for our decline. As it is radical, it hopes to see Conservatives at all levels of administration and government adopting a similarly questioning and innovative approach.

To be effective as a politician as opposed to a manager or administrator, one cannot work in a political vacuum. The essence of politics is the communication and development of ideas between people. Conservatives have a strong localist tradition, but the danger of too much localism is that the Party's voice and through the Party the political interpretation of the Government's voice is not heard. The persuasive arguments in favour of competitive tendering for example may never be given an airing and can be stifled by well briefed vested interests on the other side. At a time when the legislative framework within which local government operates is changing so fundamentally, it is essential that the Party at all levels discusses the implications and how it can best take advantage of the changes. Remember, communication is not all one way either. Many of the most successful government policies which affect local authorities began from initiatives taken by local government which have been promoted in national legislation by central government: council house sales and competitive tendering to mention two.

When the new system of local government finance comes into effect, it will be of paramount importance that Conservatives

are well prepared to meet the challenge of the far reaching transformation in the relationship between councillors and voters and the atmosphere of local politics that it will bring.

How do I think the atmosphere will change? In two major ways.

First, if a crude distinction is made between voters who want to see local authorities increase the scope of their services and spending and those who want to keep both to a necessary minimum, the balance will shift markedly to the latter end of the scale because everyone will pay something towards the cost of services and we will no longer have the phenomenon of the voter who pays nothing towards services but benefits from them.

Second, I believe that a clearer system of this sort which enables simple comparisons to be made between the different performances of local authorities will lead to greater interest by voters in what their local authority actually does and how it performs. There will be a move away from national issues as a determinant of people's votes in elections, towards local issues. It will mean that the actions of local politicians will, like those of national politicians, come under close public scrutiny.

These developments will be reinforced by the reforms we are making in the provision of local authority services which I have described, which will make local authorities more responsive to the wishes of the clients of those services.

The result will be to turn the spotlight strongly on local authority activities. We may see more interest in the manifestos of local political parties and greater scope for diverse political groupings, with Independents and charge-payers' representatives coming back as alternatives to the main political parties. Conservative councillors with their belief in prudent and responsible management of local authorities are well placed to take advantage of these changes. But there will be no room for complacency or drift. Conservatives represent a lower spending alternative to Labour, but they may not always represent the most efficient and frugal possible administration in the eyes of local voters. They will have to be careful to ensure they do. Spending decisions will be much more controversial and closely scrutinised than they are now. The level of the Community Charge and the costs of services provided by different councils will be compared and questioned. People will expect more

information and involvement in local council issues.

In changing the ways in which things have been done for decades, we are predictably accused of attacking local government. I emphatically reject that charge. Certainly local government's powers in certain respects will be limited, but they will be limited in practice not by the Government but by local people. The style of local governent will have to become much more 'interactive'. There are few of any party in national or indeed local government who admit to being happy with the way in which many monopoly council services are provided now. The lack of choice in housing and education, accompanied by what appears to ordinary people to be a remote and insensitive attitude form a consistent feature of political rhetoric, whatever the Party. By giving rights to those who complain about these things, we bring about more democratic participation in local affairs. This should be welcome to Conservatives whose belief in local government is founded on a belief in pluralism and participative democracy.

When people vote in local elections they tend to vote on national issues. This is regrettable – but it is so. They tend to vote according to their perceptions of the aims of a party as expressed and implemented by national politicians. If the local council they vote for, though it may call itself 'Conservative' or 'Labour' does not seem to conform to the national model, people may feel that they are not actually getting what they voted for. Adopting a party label is something which should ideally aid democratic choice. The fact that the Conservative controlled authorities who try hardest to support the aims of the Conservative Government are the ones who do better than average in local elections is no accident. And I believe that a closer attention to the actual performance of the local politician and an assessment of how he matches up to the image which the voter has of the party he represents will be a major feature of the new Community Charge era.

Finally the role I have described for a local politician is not merely one which should promote better local government, it is also one which should make the role of local councillor – particularly a Conservative councillor – more rewarding and fulfilling than it is now. His role will shift from the role of manager to the role of enabler and decider of local priorities,

always conscious of what his decisions will cost his charge-payers. As the monopoly position of local authorities in many areas is challenged, so councillors will less and less be in a position where they can be manipulated by the power of monopoly unions. It will be both in their interests and in the interests of the workforce to put high standards and good service to the public above everything else. In that sense the politicians's role will be much more political.

Many local Conservative politicians are or have been managers of one sort or another in their own careers. They do not on the whole go into local politics because they want more of the same. They do so because they are aware of something beyond management which is quintessentially 'political' – enabling the local community to have those services which the free market would not provide, which must be provided communally.

We hear constantly of good people leaving local government because of the time being demanded to discuss matters both of a national nature – like South Africa and nuclear policy – and detailed matters of a managerial nature. If the role for councillors described in this pamphlet were substituted for the current role, the job of being a local councillor would, I believe, be more attractive to the leaders of local communities, not less so. It would take less of busy people's time.

It would make for healthier local government too. The growing tendency by certain left wing councils to intervene in day to day management has resulted in a growing volume of complaints by local government officers of political interference in administration. They do this because left wingers see management itself as a tool to be manipulated in favour of particular client groups whose support they hope to buy. This is a very time consuming, and even corrupt, use of political power. It gets away from the idea of politics as serving the public interest to pork-barrel politics – political patronage. The more that is managed outside the council, subject to regulation as well as the pressure of competition, the less this sort of abuse can take place.

There needs to be open debate both in the country and within political parties about the role of local politicians in local government, in the light of various reforms which are now taking

place. I hope this pamphlet will start the ball rolling in the Conservative Party, and perhaps beyond.

C·P·S·

Local authorities are responsible for a quarter of all public spending. The Government's two overriding objectives are to constrain any further growth of their expenditure and to enhance the quality of their services.

The circle can be squared only if local authorities concentrate on what people need and want, avoid waste and duplication, resist pleading of special interests – and above all encourage competition among a diversity of suppliers. The Community Charge, linking payment for services with voting at elections, helps to secure these aims. The closer that electors stand to local government authorities, the further back central government can stand, and the likelier it is that the former will produce good services. Local authorities should have duties as stimulators, facilitators, enablers and monitors; but to fulfil these duties do not necessarily need themselves to provide services, or own property on a large scale.

Price: £4.90

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Prime Minister ②
This seems a sensible way to proceed. Though work can start within Govt. this year it would probably be better not to reveal this to local authorities until after they have launched the community charge next spring.
Agreed MT
AT 27/1

Ref. A089/199

MR TURNBULL

Role of Local Authorities

At the Value for Money seminar on Education on 11 January, the Prime Minister mentioned the need to review the role and structure of local authorities in the light of the impact of changes in their responsibilities.

2. I suggest that review might be launched by the Prime Minister inviting the Secretary of State for the Environment to organise a presentation which might be considered at a seminar at Chequers. Subsequent detailed work could be processed through the E(LF) machinery. The natural timing for launching such a review would be after Ministers have reached decisions on the next major issue affecting the role of local authorities - the Griffiths Report on Community Care (due to be discussed in E(A) in March).

along lines of local government finance in 1985

F.E.R.B.

ROBIN BUTLER

24 January 1989

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