



cc

PPS
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Bailey
 Mr Anson
 Mr Monck
 Miss Kelley

Treasury Chambers, Parliament Street, SW1P 3AG

Mr Lovell
 Mr Scholar
 Mr Culpin
 Mr F K Jones

6 March 1984

Mr P Rayner
 Mr Lord
 Mr Sargent
 Mr M J C Faulkner

The Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London SE1 7PH

Dear Secretary of State

THE AUDIT COMMISSION - VALUE FOR MONEY

I was most interested to see Patrick Jenkin's letter of 12 January to Leon Brittan, enclosing a summary of the Audit Commission's handbook.

I would strongly endorse what Patrick says about the importance, in all our dealings with local authorities, of stressing the need for a greater emphasis on value for money. I know that you need no persuading of this, and that much of your current policy development is concerned with increasing the effectiveness with which local authorities deploy their educational resources. While recognizing the Audit Commission's independence, we need to ensure that what we ourselves do in government helps to reinforce the pressure which the Commission brings to bear on local authorities to cut out waste and provide services in a cost-effective and economical way.

A question on which I should value your views is how HM Inspectorate of Schools can play a part in this process. I realise of course that the Inspectorate has to maintain its proper concern with standards as well as with value for money, but in present circumstances one of the most effective ways to keep up standards is to make the best use of the resources available. There may therefore be some scope for the Commission and the Inspectorate to draw on the lessons of each other's experience. For example, the Inspectorate has I know been concerned for some time about inefficiency in some authorities' provision of further education. The Commission's handbook points to a number of common areas of weakness in

authorities' management of this sector, and makes useful suggestions for establishing a sound management framework. The Inspectorate may well be able to draw on this guidance in their work; equally, they may have valuable experience to offer the Commission in the development of guidelines for other sectors of education. I hope you would agree that - to the extent that this has not been achieved already - a close though necessarily informal exchange of knowledge and experience should be developed between the two bodies.

You will know (not least from the correspondence on Norman Fowler's proposed Social Services Inspectorate) of my concern about conflicts between some of the pronouncements of local authority service inspectorates and our efforts to control the aggregate of authorities' spending. Edward DuCann and Bernard Braine both spoke on this theme in the RSG debate on 23 January. There does seem to me to be substance in some though by no means all of their charges. It is of course very damaging to our position if we are seen to be speaking with two voices. This makes it all the more important to my mind that the inspectorates should be kept in close touch with, and do what they can to reinforce, the Commission's work on value for money.

I am copying this letter to Leon Brittan, who may want to consider whether similar considerations apply to the Inspectorates concerned with police, probation and fire; I know, for example, that HM Inspectors of Constabulary have been provided with a financial information system for use to support their work this year. George Younger and Nick Edwards may also want to comment; the Commission's work, though not directly concerned with Scotland, may nonetheless be of some relevance there. I am also sending copies to the Prime Minister, Patrick Jenkin and Norman Fowler, and to Sir Robert Armstrong.

Yours Sincerely
Peter Rees

PETER REES

(Approved by the Chief Secretary
and signed in his absence)