

PREM 19/2714

CONFIDENTIAL FILINGREVIEW OF THE EXCHOWERS
AUDIT DEPT ACTS.ROLE OF COMPTROLLER & AUDITOR
GENERALGOVERNMENT
MACHINERYPART 1: MAY 1979PART 3: FEB 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8.3.83		14.7.83					
14.4.83		21.6.83					
21.4.83		29.9.89					
11.4.84							
24.4.84							
3.5.84							
23.7.84							
25.7.84							
17.1.85							
23.1.85							
1.2.85							
8.2.85							
15.2.85							
16.7.85							
18.7.85							
26.7.85							
1.8.85							
6.8.85							
2.8.85							
18.9.85							
18.11.85							
19.12.85							
3.1.86							

PREM 19/2714

Material used by
official historian
DO NOT DESTROY

Cabinet / Cabinet Committee Documents

[illegible]

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed 

Date 24/11/2016

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

The Public Accounts Commission

Second Report

Pay of Professional Audit Staff

Presented to the House of Commons in pursuance of section 2(3) of the National Audit Act 1983

Ordered by The House of Commons to be printed 25 May 1984

Published by HMSO ISBN 0 10 245584 8

Signed



Date

24/11/2016

PREM Records Team

Y SWYDDFA GYMREIG
PARC CATHAYS
CARDIFF CF1 3NQ

0222 823289

Oddi wrth yr Ysgrifennydd
Parhaol



3079

WELSH OFFICE
CATHAYS PARK
CARDIFF CF1 3NQ

0222 823289

Sir Richard Lloyd Jones KCB

From the Permanent Secretary

29 September 1989

John Anson Esq CB
HM Treasury
Parliament Street
London SW1P 3AG

Dear John,

ACCOUNTING OFFICER MEMORANDUM

You wrote to Robin Butler on 8 September. I am content as regards Agency Accounting Officers.

I agree that an amendment on temporary absence is desirable, but was somewhat taken aback by the amendment on temporary absence, and particularly by the first sentence ("on each occasion"). This seems to envisage a cumbersome procedure for dealing with eg sudden onset of influenza which keeps the Accounting Officer away from the office for three days or so. Is it not availability rather than absence that is at issue? Moreover, if we went ahead as drafted, Accounting Officers would effectively have a new condition of service, ie 30 days leave in any year but never more than 20 consecutively. It is not clear to me, either, what constitutes a "significant period" (first sentence again).

I wonder whether the attached redraft would not serve better.

What do you envisage should be said on this point to Accounting Officers or NDPBs?

I am sending copies of this letter to those who received yours.

Yours sincerely,

Richard Lloyd Jones

RICHARD LLOYD JONES

ANNEX

[18] An Accounting Officer should ensure that he is generally available for consultation, and that in any temporary or unexpected period of unavailability or during normal period of annual leave there will be a senior officer in the department who can act on his behalf if required.

[18a] If it becomes clear to the Department that an Accounting Officer is so incapacitated that he will not be able to discharge his responsibilities over a period of four weeks or more, the Treasury should be notified so that an acting Accounting Officer can be formally appointed, pending the Accounting Officer's return. The same applies if exceptionally the Accounting Officer plans an absence of more than four weeks during which he cannot be contacted, and when Agency Accounting Officers are absent (see paragraph 22 below): except that if it is necessary for an Acting Agency Accounting Officer to be appointed this should be done by the departmental Accounting Officer.

[18b : as 18a]

ccs



2 MARSDAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

nbpm

The Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON
SW1P 3AG

21 June 1988

Dear Peter

ACCOUNTANTS IN THE GOVERNMENT SERVICE

Thank you for sending Paul Channon and me a copy of your letter of 3 June to David Young. The staff of DOE and DTp are "common citizens" and so, with Paul's agreement, I am writing on his behalf and my own.

For the reasons you give, we support the objective of giving accountants the experience of non-specialist posts. As you say, they are in short supply and that inevitably limits the scope for deploying them outside their specialism. At present, however, three of our accountants are filling policy or management posts. A Grade 5 heads one of my Finance Divisions; a Grade 6 is Commercial Manager of the Tower of London; and a Grade 7 has been selected for SPATS and is filling a policy post in Paul Channon's Central Finance Division.

I am copying this to the Prime Minister, Paul Channon, David Young and Richard Luce and to Sir Robin Butler.

James
Nicholas

NICHOLAS RIDLEY





c. Mr Wilson

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

c - Mr. Wicks (for info)*From the Secretary of the Cabinet and Head of the Home Civil Service*

Sir Robert Armstrong GCB CVO

Ref. A087/2091

14 July 1987

*Dear Peter,*Development of the Government Accountancy Service

--- The Head of the Government Accountancy Service has prepared the attached progress report at the halfway stage of the ten year period over which the published objective is to double the number of qualified accountants in the Civil Service. A good deal has been achieved despite the difficulties we currently face as a result of the fierce competition for the recruitment of accountants from the private sector, but more needs to be done in the next year or two if the objective is to be met.

The point is rightly made that accountants in the Civil Service must regard themselves as civil servants, and not as a privileged group, if they are to integrate successfully into the management teams. Nevertheless, we shall waste our heavy investment in their training if we make their careers less useful or attractive than they might be through inadequate attention to their deployment and career progression. In this connection there has been a widespread welcome given to the recent initiative to appoint Heads of Accountancy Profession in all the larger departments. These people will be focal points for contact with the accountants in their departments as well as advisers to their Establishment Officers and personnel managers about their deployment, career progression and training.

In spite of the current shortage of qualified accountants in many departments, I am sure Tony Wilson is right to suggest that it will be in the interest of the Civil Service as a whole to move some of those accountants who have the necessary personalities and skills into middle and senior non-specialist management posts. This would also lead to a marked improvement in recruitment and retention. It is very disappointing that five years after the FMI there are so few accountants in the senior open structure, and, at the same time, surprising that the number of those employed in non-specialist posts at that level can be counted on the fingers of one hand.

/Our affirmed

Sir Peter Middleton KCB

Our affirmed aim is to increase the number of accountants and this will be more easily achieved if we can give our middle ranking accountants the opportunity to move more widely, and the experience necessary to reach higher levels. Recently many departments have begun to employ their accountants on broader financial work, and this in itself is a very encouraging trend which should continue.

Of course, it would be unfair to others if accountants received preferential consideration when posts in the senior open structure had to be filled, but I should be grateful if Permanent Secretaries would remind their Principal Establishment Officers about the urgent and continuing need to consider moving accountants out of specialist posts and into the policy and general administration areas whenever there are suitable opportunities.

I am sending copies of this letter and Tony Wilson's report to all Permanent Secretaries and other Heads of Departments.

Yours ever

Robert Armstrong

MANAGEMENT IN CONFIDENCE

REPORT ON PROGRESS IN DEVELOPING
THE GOVERNMENT ACCOUNTANCY SERVICE

In 1982 the Accountancy Functional Specialism was set up within the administrative class as an adjunct to the Financial Management Initiative. At the same time the aim was expressed in the House of Lords to double the number of professionally qualified accountants in the Civil Service over the ten years to 1992. At the halfway stage it is appropriate to give this progress report.

At the end of 1986 there were 718 professionally qualified members of the Government Accountancy Service. This represents an increase of 5% in the year 1986 and of over 20% since 1982. However, the rate of increase is less than that required to fill existing and newly created posts requiring accountancy skills and to ensure that the target of doubling the numbers by 1992 is hit.

In addition to the professionally qualified accountants, there are over 400 people whose work experience qualifies them for membership of the Government Accountancy Service, and 500 people are now undergoing training for professional qualifications. The number of trainees has doubled since 1982, and in 1986 alone the increase was over 40%, partly as a result of the establishment of the Central Training Pool.

The number of specialist posts designated by departments to be filled by professionally qualified accountants now stands at about 830, an increase of over 7% in 1986, and this is expected to grow gradually in the future as management reexamines its information systems and requirements. The number of these "Q"posts has increased by one third since 1982. Some encouragement can be drawn from these statistics,

MANAGEMENT IN CONFIDENCE

but much remains to be done before an adequate level of accountancy services provision can be assured to meet the needs of all departments.

Apart from the use of accountants in departmental specialist posts, the Government's stated policy envisages the employment of an increasing number of accountants in non-specialist administrative posts where their financial background and numeracy can be used to good effect. The potential employment of accountants in this way cannot be estimated with any confidence, but the numbers involved are additional to the 830 specialist posts mentioned in the previous paragraph.

The immediate problems in developing momentum towards achieving the published target of about 1,200 qualified accountants in post by 1992 are the current difficulty of recruiting talented young professionals, and of retaining trained and experienced people who are a commodity very attractive to the private sector. Accountants in the Civil Service must regard themselves first and foremost as Civil Servants and not as privileged specialists if they are to integrate into the departmental management structures effectively. In that respect pay differentials between accountants in the public and private sectors must be regarded as an unfortunate fact of life and not a problem which can be solved by large premium payments for Civil Service accountants, which would create an unwelcome separateness for accountants vis-a-vis their non-specialist colleagues.

The allowances now available for those undergoing training and in the lower grades following qualification are clearly having a beneficial effect on trainee recruitment and retention. The investment represented by the heavy training programme will not yield the expected dividends, however, unless personnel divisions in departments pay full attention to positive and progressive career planning for their young accountants and afford them counselling facilities akin to those which junior accountants are accustomed to receive in the private sector.

MANAGEMENT IN CONFIDENCE

The satisfactory recruitment of more experienced accountants and the retention of those trained in-service both depend on their perception of a future worthwhile and interesting career; the variety of work available for accountants in the Civil Service is an attractive feature, but more needs to be done to demonstrate that some of them really can move into senior non-specialist posts in the administration provided they have the requisite personality and talents. The shortage of skilled accountancy resources in departments in recent years has undoubtedly deterred establishment and personnel divisions from considering accountants for transfer into policy and administration areas, but such transfers at the more senior levels will have a positive and beneficial effect on management as well as improving the potential recruitment and retention of accountants generally. A number of such transfers in the near future would be of considerable assistance in meeting the Government's aim to double the number of qualified accountants in the Civil Service by 1992.

CONFIDENTIAL

bc. PC.

file
to



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

Sir Robert Armstrong

NATIONAL AUDIT OFFICE

The Prime Minister has seen your minute of 31 October about the Comptroller and Auditor-General's request for access to Treasury and to Cabinet and Cabinet Committee papers on the EH101 helicopter project.

The Prime Minister agrees that we should continue to refuse this request, and is content for you and for Sir Peter Middleton to reply to the Comptroller and Auditor-General in the terms proposed.

I am copying this minute to the Private Secretaries to the Lord Privy Seal and the Chief Whip.

CDP

3 November, 1986.

CONFIDENTIAL

CONFIDENTIAL

Ref. A086/3103

PRIME MINISTER

The National Audit Office has been carrying out a value-for-money audit of the EHL01 helicopter project.

2. For the purposes of this Report the Comptroller and Auditor General wrote to me and to the Permanent Secretary of the Treasury on 27 June, seeking access to Treasury and to Cabinet and Cabinet Committee papers on this subject. It has long been the convention that the National Audit Office is not given access to the papers of central Departments about expenditure for which the Accounting Officers of other central Departments are accountable, and that the National Audit Office does not have access to Cabinet or Cabinet Committee papers. Accordingly Sir Peter Middleton and I wrote to the Comptroller and Auditor General on 22 and 29 July refusing his request.

3. The Comptroller and Auditor General returned to the charge in letters to Sir Peter Middleton and me on 23 September. He argues that the Treasury has a clear function of giving financial approval for the project; and that, though he is not entitled to question the merits of policy objectives of audited bodies, he is entitled to see what policy objectives have been formulated and that it would be reasonable for him to have access to Cabinet and Committee papers in order to see the considerations taken into account in their formulation. So far as I can see there is very little difference between that and inquiring into the merits of the policy objectives.

4. I attach copies of the correspondence between Sir Peter Middleton, the Comptroller and Auditor General and me to date and the draft replies which Sir Peter Middleton and I now propose to send to the latest letters.

Prime Minister
Agree that we should
continue to refuse the
Comptroller and Auditor
General's request for access
to Cabinet
papers?
CDP 21/12

Yes Mr

5. I suspect that the Comptroller and Auditor General is pursuing this question of access to Treasury and Cabinet papers, not because the issue is important in this case but because he thinks that this case - with its Westland connections - provides him with the best opportunity of maximising support in Parliament for an attempt to establish the right of NAO access to Cabinet and Treasury papers. It is just possible that he has some idea of emulating his Canadian counterpart, who has recently established, by means of a court case, his right of access to the papers of the Canadian Federal Cabinet.

6. Sir Peter Middleton and I both take the view that we must continue to refuse the Comptroller and Auditor General's requests. We do not believe that it was the intention of those responsible for the National Audit Act 1983 that there should be any change in the longstanding conventions in this matter. It is an agreed convention that Cabinet and Cabinet Committee papers may not be shown to Select Committees. I do not believe that the Comptroller and Auditor General should be given access to Cabinet and Cabinet Committee papers, given that he is an officer of the House of Commons and could not be prevented from passing the papers on to members of the Public Accounts Committee if he was minded to do so. Nor do I consider that he needs to have access to Cabinet or Cabinet Committee papers for the purpose of carrying out the duties assigned to him by the National Audit Act.

7. I hope that you will agree that I should continue to refuse the Comptroller and Auditor General's request for access to Cabinet and Cabinet Committee papers.

CONFIDENTIAL

8. In view of the current sensitivity of relations between the Government and Select Committees I am sending a copy of this minute and its attachments to the Lord Privy Seal and the Chief Whip.

RA

ROBERT ARMSTRONG

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO
SIR GORDON DOWNEY KCB, NATIONAL AUDIT OFFICE,
BUCKINGHAM PALACE ROAD, VICTORIA,
LONDON SW1W 9SP

EH 101 Helicopter Project

Thank you for your letter of 23 September.

I repeat - and you do not contest - my understanding that nothing in the National Audit Act 1983 was intended to change the long-accepted practice that the National Audit Office (and formerly the Exchequer and Audit Department) does not have access to Cabinet or Cabinet Committee papers or to Cabinet Office files and papers on subjects which are, or are likely to become, the subject of interdepartmental discussion in Cabinet or Cabinet Committees; and that that was understood and accepted at the time between those who sponsored the Bill on which the Act was based and those who spoke for the Government.

The appropriate and authoritative source for the National Audit Office of information the policy objectives formulated for audited bodies is documents exchanged in communications between the Department concerned and the audited body and any other relevant papers of the Accounting Officer concerned to which you are entitled to have access. I am not satisfied that you need, and I could not agree that you should be entitled to have, access to Cabinet and Cabinet Committee papers or minutes for this purpose.

John Higgins sent my Private Secretary on 1 October a copy of your initial draft report on the EH101 project. Like the Treasury, I do not find the views attributed to the NAO in paragraphs 26-27 and 1.5 either convincing or consistent with the understanding reached between Ministers and sponsors of the bill which became the National Audit Act 1983, and I hope that you will remove or at least modify them in the light of this correspondence. If your final draft does contain NAO views of this kind, I assume that you will invite Peter Middleton and me to provide statements of

Treasury and Cabinet Office views for inclusion
in the published report.

DRAFT LETTER TO SIR GORDON DOWNEY KCB

EH 101 HELICOPTER PROJECT

Thank you for your letter of 23 September.

I, in turn, note the points you make but do not consider that they justify any change in the longstanding practice which was intended to be underwritten by the National Audit Act, 1983.

The PAC is provided with Treasury witnesses in recognition of our central role but we do not believe that your reports should be based on papers other than those of the Accounting Officer concerned.

I am sending a copy of this letter to Robert Armstrong.

P E M



NAO

NATIONAL AUDIT OFFICE

Sir Gordon Downey KCB
Comptroller and Auditor General

Sir Peter Middleton KCB
HM Treasury
Parliament Street
LONDON SW1P 3AG

National Audit Office
Buckingham Palace Road
Victoria
London SW1W 9SP

Telephone 01-798 7777
Facsimile 01-828 3774

Our Reference GSD 3587
Your Reference
Date 23 September 1986

Dear Peter,

EH 101 HELICOPTER PROJECT

Thank you for your letter of ²²30 July. I note your reasons for not granting the NAO access to Treasury papers on the EH 101 project. At the same time I have to point out that the National Audit Act does not place any general restriction on my access to Treasury papers which I might reasonably require to see in carrying out an examination under the Act. In the particular case of the EH 101 it appears to me that the Treasury had a clear function of giving financial approval for the project.

I am writing in similar terms to Robert Armstrong to whom I am copying this letter. Copies also go to the other recipients of yours.

PERM. SEC'S. OFFICE	
RECEIVED	
24 SEP 1986	
Action	Mr. K. K. H.
Copies	Mr. A. Butler
To	Mr. Anson
	Mr. Monck

Mr. Burgess

Mr. Judd
Mr. Scholmer
Ms Seamen.

Yours ever,

Gordon
GORDON DOWNEY



cc - Mr. Hewes
Mr. Wiggins

FOLIO
26

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/2193

29 July 1986

FOLIO
18

Thank you for your letter of 27 June, seeking my agreement for your staff to examine Cabinet Office files and papers, including those of Cabinet Committees and of the Cabinet itself, relevant to the EH101 helicopter project.

It has long been the accepted practice that the National Audit Office (and formerly the Exchequer and Audit Department) does not have access to Cabinet or Cabinet Committee papers or to Cabinet Office files and papers on subjects which are, or are likely to become, the subject of interdepartmental discussion in Cabinet or Cabinet Committees. It is my understanding that nothing in the National Audit Act 1983 was intended to change that practice, and that that was understood and accepted at the time between those who sponsored the bill on which the Act was based and those who spoke for the Government.

The National Audit Office is rightly concerned with questions of propriety and value for money in the expenditure of public money on the execution of policies agreed and adopted by Governments, but is not concerned with the merits of the policy objectives or the considerations which are taken into account in their formulation. It is with formulating and deciding policy objectives that Cabinet and Cabinet Committees are concerned. It is important that the discussions which take place in Cabinet and Cabinet Committees should be protected, in order to preserve the ability of Ministers to discuss policy issues freely.

I am afraid, therefore, that I am not able to give my agreement for your staff to examine Cabinet Office files and papers, including those of Cabinet and Cabinet Committees, relating to the EH101 helicopter project.

I am sending copies of this letter to Peter Middleton, Clive Whitmore, Peter Levene and Brian Hayes.

ROBERT ARMSTRONG

Sir Gordon Downey KCB
National Audit Office



cc Robert Armstrong
Clive Whitmore
Peter Levene
Brian Hayes

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233

Sir Peter Middleton KCB
Permanent Secretary

Sir Gordon Downey
National Audit Office
Audit House
Victoria Embankment
LONDON EC4Y ODA

22 July 1986

EH 101 HELICOPTER PROJECT

Thank you for your letter of 27 June.

As you know the NAO (and E & AD before it) has not in the past expected to be given access to the central departments' papers about expenditure for which the Accounting Officers of other spending departments are accountable. We have always thought that right because the only Treasury involvement which could have any affect on what is done is that which is communicated to the spending departments and is thus already available to you on their files.

The Treasury Officer of Accounts attends all evidence sessions for the particular pupose of giving such Treasury views as the Committee may require and on the rare occasions when the MPO's central responsibilities are involved he attempts to anticipate the Committee's interest and come briefed to answer questions in that area; otherwise he would of course always be willing to obtain any answers the Committe might require.

These conventions have stood the test of a very long time now and I should be extremely reluctant to upset them. In saying that I am not overlooking the National Audit Act but rather recalling that it was not the intention of its sponsors to change existing practice but to underwrite that practice with proper legislative provision.

Neither do the terms of the Act suggest to me that there was a function in respect of the EH101 project which can appropriately be the subject of an examination under Section 6(1) and it follows that I do not think that Treasury papers can be reasonably required under Section 8.

I am sending copies of this letter to Robert Armstrong, Clive Whitmore, Peter Levene and Brian Hayes.

P E MIDDLETON



National Audit Office

Audit House, Victoria Embankment, London EC4Y 0DS Telephone 01-353 8901

Comptroller and Auditor General
Sir Gordon Downey KCB

GSD 3341

27 June 1986

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

cc - Mr. Wiggins } Advice & draft
Mr. Hewes } reply please

Dear Robert,

EH 101 HELICOPTER PROJECT

This will need very careful
consideration. We need to know
what pp were involved to Cbr
r/cbr like in EH 101. RIA 30/6

We have been carrying out a value for money audit of this project
by reference to the documents held by MOD and DTI.

This subject raises some exceptionally complex and delicate issues on which the PAC will expect to be fully informed and indeed on which I am sure that the Government will agree that it is in the public interest that they should be. As well as the sums involved in the project there are a number of value for money issues on which I believe that the PAC will expect the NAO to have examined all relevant documents. These issues include the appraisals made of the viability (both financial and technical) of Westlands as a potential recipient of MOD research funds and DTI launch aid, on which a return was to be expected; the evidence of weaknesses in the international memoranda of understanding and financial arrangements; and the basis on which the Naval Requirement for the EH 101 was calculated. I assume these issues will have been considered on Cabinet and Cabinet Committee papers, to some of which we have seen references on MOD and DTI files. I am, therefore, seeking your agreement for my staff to examine all relevant Cabinet Office files and papers, including those of Cabinet Committees and of the Cabinet itself.

I am writing in similar terms to Peter Middleton about access to relevant Treasury files and a copy of this letter goes to him. I enclose a copy of my letter to him and copies of both go to Clive Whitmore, Peter Levene and Brian Hayes.

Yours ever,

Gordon

GORDON DOWNEY

CABINET OFFICE
6533
30 JUN 1986
FILING INSTRUCTIONS
FILE No.

FOLIO
18



National Audit Office

Audit House, Victoria Embankment, London EC4Y 0DS Telephone 01-353 8901

Comptroller and Auditor General

Sir Gordon Downey KCB

GSD 3342

27 June 1986

Sir Peter Middleton KCB
HM Treasury
Parliament Square
LONDON SW1P 3AG

Dear Peter,

EH 101 HELICOPTER PROJECT

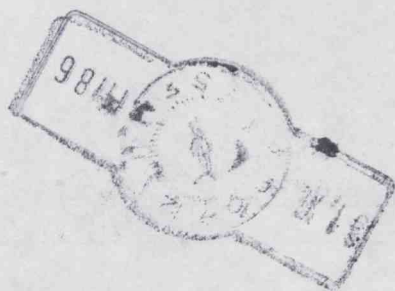
We have been carrying out a value for money audit of this project and have seen your correspondence with the MOD and DTI, notably that in 1983 and 1984 concerning the full development contract and the launch aid to be provided to Westlands.

This subject raises some exceptionally complex and delicate issues on which the PAC will expect to be fully informed and indeed on which I am sure that the Government will agree that it is in the public interest that they should be. As well as the sums involved in the project there are a number of value for money issues on which I believe that the PAC will expect the NAO to have examined all relevant documents. These issues include the appraisals made of the viability (both financial and technical) of Westlands as a potential recipient of MOD research funds and DTI launch aid, on which a return was to be expected; the evidence of weaknesses in the international memoranda of understanding and financial arrangements; and the basis on which the Naval Requirement for the EH 101 was calculated. I assume these issues will have been considered on Treasury as well as on Departmental papers and I am therefore seeking your agreement for my staff to examine your files on this subject. I should mention that your people have previously refused a request made at a lower level in relation to the particular issue of the rate of return to be attached to launch aid.

I am writing in similar terms to Robert Armstrong about access to relevant Cabinet and Cabinet Committee papers and files and a copy of this letter goes to him. I enclose a copy of my letter to him and copies of both letters go to Clive Whitmore, Peter Levene and Brian Hayes.

Yours ever,

Gordon
GORDON DOWNEY



Subject cc Master

10 DOWNING STREET

From the Principal Private Secretary

19 December 1985

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

Sir Edward du Cann, Chairman of the House of Commons Commission, called upon the Prime Minister, at his request, on 19 December to report to her the views of his Commission on the salary of the Comptroller and Auditor General.

Sir Edward said that since he had been Chairman of the Public Accounts Committee, the National Audit Office, as it was now called, had grown immeasurably in prestige and professionalism. It was now the Government's best ally for getting value for money - indeed, value for money audits comprised one-third of the Office's work (though the aim, if resources permitted, will be to increase this to one half). The value of the Office was diminished, however, because it was 10 per cent below strength, new entrants were often of insufficiently high calibre and there was a 12 per cent wastage. This was a result of inadequate levels of pay and the large accountancy firms drawing on the Office for talent (which in itself was a tribute to the Office).

An especial problem was the salary of the Comptroller and Auditor General, who the Commission believed should be remunerated on the same scale as the Permanent Secretary to the Treasury. The Commission intended to draw attention to this issue in their annual report, pointing out that the salary of the Comptroller was Commission business and that they were in disagreement with the Government about it. He would, however, not want this tactic to be adopted unless the Prime Minister thought it would be helpful. Sir Edward had been instructed to say that the Commission would seek to place a resolution on the Order Paper which would bring the Comptroller's salary to the same level as that of the Treasury Permanent Secretary.

The Prime Minister replied that the tactic outlined by Sir Edward would not in her view be at all helpful, especially in view of the difficulties created for the Government by the recent TSRB report. The Government could not welcome anything which would bring to attention again the recent TSRB salary increases. One possibility would be

to increase the Comptroller's salary to the higher level if the calibre of the present Comptroller's successor warranted this.

Sir Edward asked the Prime Minister to consider the views of his Commission as he had explained them. It was likely that the Commission would make some reference to this issue in their Annual Report and would indicate that the Government was still considering the issue. He would seek a further meeting with the Prime Minister after the Commission's report had been published. The Prime Minister agreed that they should discuss the matter again.

I am copying this letter to Michael Stark (Cabinet Office).

N L WICKS

Richard Broadbent, Esq.,
Chief Secretary to the Treasury's Office



Br

10 DOWNING STREET

From the Private Secretary

18 November 1985

I am replying to your letter of 12 November regarding the salary of the Comptroller and Auditor General.

Do please give me a ring after 26 November and I will of course give you a time to see the Prime Minister.

(Caroline Ryder)

The Rt. Hon. Sir Edward du Cann, K.B.E., M.P.

881

MR. WICKS

J.F.
I ~~asked~~ ~~asked~~
I am only PM about
a meeting
N.L.W

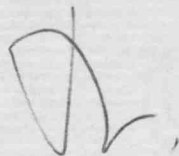
COMPTROLLER AND AUDITOR GENERAL

Sir Edward du Cann's letter, which is attached, brings back this hardy perennial which is traditionally dealt with by the Principal Private Secretary. The position is this. The Government agreed at the behest of the Public Accounts Commission, of which Sir Edward du Cann is Chairman, that the salary of the Comptroller and Auditor General should be looked at by the TSRB. In its report, published in July, the TSRB recommended that the salary of the Comptroller and Auditor General should be linked to the new grade of "super" Permanent Secretaries which they suggested at £65,000. As you know, the Government decided not to implement this new grade leaving only two grades of Permanent Secretary: ordinary ones at £60,000, and the Treasury Permanent Secretary at £70,000. There was then a choice between continuing the Comptroller and Attorney General link to the ordinary Permanent Secretary or linking him to the Treasury Permanent Secretary. The Government favours the former but the Public Accounts Commission favour the latter. The Prime Minister pressed the case for the former in her most recent letter to Sir Edward of 7 August. As far as the Government is concerned, the case against linking to the Treasury Permanent Secretary are:

- that it is not justified by job weight
- that it would produce a 54 per cent increase in salary for the Comptroller and Auditor General rather than a 32 per cent increase if the Permanent Secretary link was maintained and
- that a 32 per cent increase is easily large enough to provide head room for incentives lower down the national Audit Office.

There is also the tactical argument that to change the link to Permanent Secretary to the Treasury would need a Resolution in the House of Commons which on a free vote would be very difficult coming so soon after TSRB.

Sir Edward's latest letter suggests that he is going to be very difficult to shift, and indeed past history supports that view. I daresay we shall have to have the meeting he proposes.



TIM FLESHER

15 November 1985

SRWAKK

From the Rt Hon Sir Edward du Cann, KBE, MP



HOUSE OF COMMONS
LONDON SW1A 0AA

1 Mr Pugh to see
2 Mr Ryder PC
arrange

N.L.W.

18.11

Prime Minister's
Agree to me
Sir Edward?

N.L.W.

15.11

12th November
1985

Margaret

Yes not

Thank you for your letter of the 7th August about the salary of the Comptroller and Auditor General. Unfortunately it has not been possible to call a meeting of the Commission since that time. It was not convenient for Members generally for the short spell after the Session in October, and today's meeting of the Commission has had to be abandoned because we could not form a quorum owing to the absence of so many Members in the Chamber to hear the Chancellor's autumn statement.

Accordingly I have called a fresh meeting of the Commission for the 26th November.

In your letter of the 7th August you suggested we might discuss the matter together. Could I telephone your Private Office to arrange an appointment immediately after the 26th November when I hope I shall be able to bring to you the considered views of the Commission?

Yours
Edw.

The Rt Hon Mrs Margaret Thatcher, M.P.
10 Downing Street
S W 1

Prime Minister

Some background figures:

Permanent Sec will get £60,000

Permanent Sec to Treasury will get £70,000

Sec R & A will get £75,000.

N.L.W

GOVT MACH: Review of Exchequer + Audit; Pt 3

GOVT MACH: Review of Exchequer + Audit; Pt 3



GOVERNMENT OF INDIA

OFFICE OF THE SECRETARY

GOVERNMENT OF INDIA

GOVERNMENT OF INDIA

From the Rt Hon Sir Edward du Cann, KBE, MP



HOUSE OF COMMONS
LONDON SW1A 0AA

cf ops?

12/9

ms

18th September 1985

Rt Hon Sir Edward du Cann

Thank you for your letter of 7th August about the Public Accounts Commission's views on the C & AG's salary. The Commission are to meet shortly after the House resumes and, as you request, I will then let you know what my colleagues' response is.

Yours.

Edward du Cann

Rt Hon Margaret Thatcher FRS, MP
Prime Minister
10 Downing Street
London SW1

Compt + Auditor Gen: Govt.

Machinery

PL-3



10 DOWNING STREET

THE PRIME MINISTER

7 August 1985

Dear Edward

Thank you for your letter of 24 July in which you conveyed the views of the Public Accounts Commission about the salary of the Comptroller and Auditor General. We could not meet to discuss this matter owing to the summer holidays and I therefore agreed to send you this letter.

As the Commission recognise, following our decisions on the main TSRB report, the effective choice on the Comptroller and Auditor General's salary under present legislation is to make a new link with the Permanent Secretary to the Treasury or to maintain the present link with Permanent Secretary. I believe that to make the link to any intermediate point would require, not just a Resolution, but Primary legislation.

I have thought very carefully about what you say about linking the Comptroller and Auditor General with the Permanent Secretary to the Treasury. However, the TSRB did not recommend such a link and, in view of that and our decision on the proposed salary level 3, I do not think this would be appropriate. If such a link were established, the salary of the Comptroller and Auditor General would be raised by 54 per cent, compared with 32 per cent if the link is with Permanent Secretary. I am conscious of the desire of the Commission to ensure that there is adequate headroom to allow other salary changes in the NAO but the rise of £14,500 a year for the Comptroller and Auditor General, which follows

SRW

the link with Permanent Secretary pay, will clearly help a great deal for this purpose. The gap between the salary of an Assistant Auditor General and that of the Comptroller and Auditor General would widen from around £14,000 to £26,000, which should allow considerable room for performance related pay initiatives. I doubt whether, in advance of the TSRB report, the Commission were counting on a larger increase than this.

I am afraid I come back, therefore, to the view I set out in my letter of 18 July, and I hope that on reflection the Commission will agree. If, however, this does not prove possible I will be happy to discuss the issue with you. *Perhaps*

You would let me know how you and your colleagues feel.

Yours

Raymond

—

PRIME MINISTER

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

Attached is a revised draft letter to Sir Edward du Cann which takes in the amendments you suggested, ie:

- (i) the fact that to fix the C&AG's salary to a point midway between ordinary Permanent Secretaries and the Treasury Permanent Secretary would require primary legislation, and
- (ii) that a link with the Permanent Secretary to the Treasury would produce a 54% increase.

The letter also offers a meeting with Sir Edward if the Public Accounts Commission do not accept our arguments. I find it difficult to believe that they will not do so since in the wake of the furore over TSRB it would be difficult indeed for the House of Commons to vote one of its own servants a very substantial pay increase. In fact, since any vote in the House of Commons on the salary of the C&AG would presumably take place on a free vote, I rather suspect that Sir Edward would find few supporters. Clearly this argument cannot be spelt out in the text but could be held as a trump card in case of a meeting. But this should not escape Sir Edward and the other members of the Commission.

Agree to write as in the attached draft.?

[Handwritten signature]

6 August 1985

VC4ABC

APPOINTMENTS IN CONFIDENCE

Ref. A085/2063

MR BUTLER

I have seen the letter which the Chief Secretary's Private Secretary sent you on 31 July about the salary of the Comptroller and Auditor General. *with TCRB*

2. As Mr Broadbent makes clear, to pay Sir Gordon Downey £65,000 would require primary legislation, since the Government decided not to accept the recommendation of the TSRB for that rate of salary to be paid to three Permanent Secretaries. Unless there is to be primary legislation, Sir Gordon Downey has to be linked either to the Permanent Secretary to the Treasury or to the ordinary Permanent Secretary.

3. I agree with the Chief Secretary that we should seek to avoid linking the Comptroller and Auditor General with the Permanent Secretary to the Treasury and Cabinet Secretary. It would be preferable to preserve the link with the ordinary Permanent Secretary. As the Treasury letter says, that would provide ample headroom for the introduction of performance-related pay initiatives immediately below the level of C and AG. It would give the C and AG a salary significantly higher than he can have expected to result from the TSRB review. And it would have the great merit of avoiding the need for a resolution in the House of Commons; though that is perhaps a point better made to Sir Edward du Cann orally than in writing.

RIA

ROBERT ARMSTRONG

2 August 1985

APPOINTMENTS IN CONFIDENCE

PRIME MINISTER

SALARY OF THE C&AG

There is something to be said for a reply going to Sir Edward du Cann about the salary of the C&AG as soon as possible. It would no doubt be better for you to see Sir Edward but he may well not be in London now.

If you agree with the advice in the attached letter from the Treasury that the Government should hold firm on a salary of £60,000, I suggest that I telephone Sir Edward du Cann and see if he is available to come in and see you. If he is not, you could write to him in the terms attached to the Treasury letter.

Agree that the Government should hold firm on a salary of £60,000 for the Comptroller and Auditor General?

Agree that I should see if Sir Edward du Cann is available to come in and see you next week and that, if not, you should write to him on the lines attached to the Treasury letter.

R.E.B.

1 August 1985

I think a more lengthy letter explaining about-

① legislation and

② a 50% increase

and suggest therefore we stick to £60,000
not

DRAFT LETTER FROM THE PRIME MINISTER TO:

Rt Hon Sir Edward du Cann KBE MP
Public Accounts Commission
Committee Office
House of Commons
LONDON
SW1A 0AA

✓ 4 AAZ

Thank you for your letter of 24 July in which you conveyed the views of the Public Accounts Commission about the salary of the Comptroller and Auditor General. ~~I am sorry that we could not meet to discuss this matter owing to the summer holidays, but~~ and I therefore agreed to send you this letter. ~~to let you know our response to the points in the~~

As the Commission recognise, following our decisions on the main TSRB report, the effective choice on the C and AG's salary under present legislation is to make a new link with the Permanent Secretary to the Treasury or to maintain the present link with Permanent Secretary.

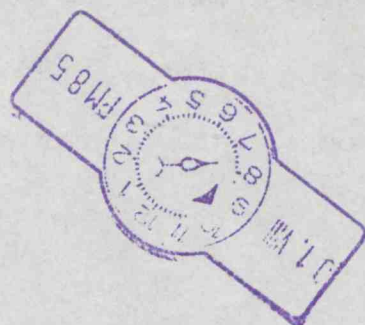
I have thought very carefully about what you say about linking the C and AG with the Permanent Secretary to the Treasury. However, the TSRB did not recommend such a link and, in view of that and our decision on the proposed salary level 3, I do not think this would be appropriate. I am conscious of the desire of the Commission to ensure that there is adequate headroom to allow other salary changes in the NAO but ~~I feel sure that~~ the rise of £14,500 a year for the C and AG, which follows the link with

clearly help a great deal
Permanent Secretary pay, will be ~~ample~~ ^{in advance of the TSRB Report} for this purpose, and I find
it hard to believe that the Commission were counting on a larger
increase than this.

I am afraid I must stick to the view I set out in
my letter of 18 July, and I hope that on reflection the
Commission will agree.

[MT]

COAT MACH : C+AG PR3





Treasury Chambers, Parliament Street, SW1P 3AG

Robin Butler Esq
Private Secretary
10 Downing Street
London
SW1

31 July 1985

Dear Robin

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

Thank you for your letter of 26 July enclosing a copy of Sir Edward du Cann's reply to the Prime Minister's letter of 18 July about the salary of the Comptroller and Auditor General.

The compromise you suggest would not, I am afraid, be straightforward since primary legislation would be required. Present legislation requires that the C and AG should be paid "the same salary as if he were employed in the Civil Service of the State in such appointment as the House of Commons may by Resolution from time to time determine" The Resolution has to specify a single specific post. There are no existing posts in the salary range £60,000 - £70,000 per year. There are posts currently paid at higher rates (for example, the Head of the Procurement Executive). But in these cases the rate paid is linked personally to the post-holder and so would not be a reliable link for the C and AG even if the Government wished to go above £60 - £70,000. As Sir Edward says, as a result of the Government's decision not to proceed with the TSRB's recommendation for pay point 3 for Permanent Secretaries, there is no intermediate stage.

/ The choices

The choices seem to be:

- i. a Resolution to make the link with Permanent Secretary to the Treasury/Cabinet Secretary, at a salary of £70,000. The Chief Secretary does not advise this. The TSRB found no grounds for the link. By 1 March 1986 it would give Sir Gordon a pay increase of 54 per cent as compared with the 32 per cent proposed for Permanent Secretaries. The House would notice this when the Resolution was put down and the Resolution itself would provide a further opportunity for debate on the whole matter of the Government's decisions about the TSRB report.
- ii. Primary legislation. In time, it may be necessary to consider this: for example, if on Sir Gordon's retirement, it were thought right to look to the private sector for a successor, a significantly higher salary may be required. Like option (i) above, however, an immediate move would lead to further discussion of the TSRB Report and there could be some opposition to such a proposal.
- iii. Stay with the Permanent Secretary link. Clearly this is not something Sir Edward du Cann finds palatable but it is consistent with the Government's decision on "pay point 3" at Permanent Secretary level. And such a link would provide ample headroom for the introduction of performance related pay at Assistant Auditor General level. The gap between the salary of assistant auditor and the C and AG himself would widen from just under £14,000 to £28,000, allowing considerable room for performance related pay initiatives.

As you say, given the House's reaction to the TSRB report, opposition could be expected in the House to a proposal that the C and AG's salary should be even higher than the Permanent Secretary level to which it has been linked. It may be best for this point to be made personally by the Prime Minister to Sir Edward. However, I am enclosing a draft letter in case you feel that the Prime Minister should reply in writing in the first instance.

I am copying this to Richard Hatfield (Cabinet Office).

Yours ever
Richard Broadbent

RICHARD BROADBENT
Private Secretary



10 DOWNING STREET

From the Principal Private Secretary

26 July 1985

I am writing to acknowledge your letter of 24 July, written as Chairman of the Public Accounts Commission, in reply to the Prime Minister's letter of 18 July about the salary of the Comptroller and Auditor General.

I will lay your letter before the Prime Minister on her return from the United States and she will, of course, be in touch with you again when she has had an opportunity to consider it.

FERR

The Rt. Hon. Sir Edward du Cann, K.B.E.



10 DOWNING STREET

From the Principal Private Secretary

26 July 1985

I enclose a copy of Sir Edward du Cann's reply to the Prime Minister's letter of 18 July about the salary of the Comptroller and Auditor General. Despite the date, this letter reached us only this morning.

I should be grateful for your advice on the next steps. It may be necessary now for the Prime Minister to see Sir Edward and try to reach an agreement with him. Thoughts which occur to me are that, since the Commission's case is based on the headroom for salaries beneath the Comptroller and Auditor General's salary, the rise in the salary of a Permanent Secretary must go a long way towards meeting those arguments. Also, given the House's reaction to the TSRB Report, opposition could be expected in the House to a proposal that the Comptroller & Auditor General's salary should be even higher than the Permanent Secretary level to which it has been linked. But if it is that these arguments would not enable the ground to be held with Sir Edward du Cann, a possible compromise would be to adopt the figure of £65,000 which is both the recommendation of the TSRB and midway between the Government's proposal and the Commission's.

I am copying this letter and enclosure to Richard Hatfield (Cabinet Office).

F E R B

Richard Broadbent, Esq.,
Chief Secretary's Office,
HM Treasury



COMMITTEE OFFICE
HOUSE OF COMMONS

LONDON SW1A 0AA
01-219 (Direct Line)
01-219 3000 (Switchboard)

R 26/7

P00

PUBLIC ACCOUNTS COMMISSION

24 July 1985

Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Thank you for your letter of 18 July about the salary of the Comptroller and Auditor General. I know that the Public Accounts Commission are grateful to the Government for repeating the undertaking not to take a final decision on the matter until the Commission had an opportunity of considering the situation.

The Commission discussed your letter to me and Lord Plowden's report to you at a meeting earlier this week, and I was asked to convey their views to you.

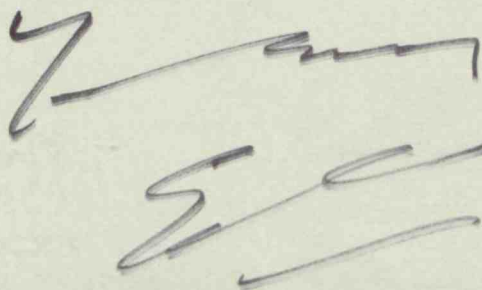
We are of course aware that the Comptroller and Auditor General's salary cannot be directly determined by us, but must be fixed by the House on what would normally be a government motion, under the Parliamentary and other Pensions and Salaries Act 1976. Nevertheless, we regard as fundamental to the issue the independent character of the Commission under the National Audit Act, and the close connection established by that Act between the House, the Commission, and the Comptroller and Auditor General as an officer of the House. The Commission very much hope, therefore, that you will regard their conclusions on the appropriate linkage of the Comptroller and Auditor General as of the very first importance.

We recognise that the Government's proposal to retain the link between the Comptroller and Auditor General and departmental permanent secretaries will go some way in the short term towards creating the "headroom" for consequential salary changes within the Comptroller and Auditor General's own responsibility. We deployed the case for these in detail in our Second Report of May 1984, and though the figures

quoted there need revision, the conclusions remain valid. The Commission believe, however, that, in order to avoid in future the problems associated with determining an appropriate linkage which have beset us since May 1984, the degree of "headroom" provided by the present settlement should be greater than that you now propose. In short, we adhere to our belief of May 1984 that the most appropriate linkage for the Comptroller and Auditor General is with the Permanent Secretary to the Treasury. As a result of the Government's decision, there is no intermediate stage.

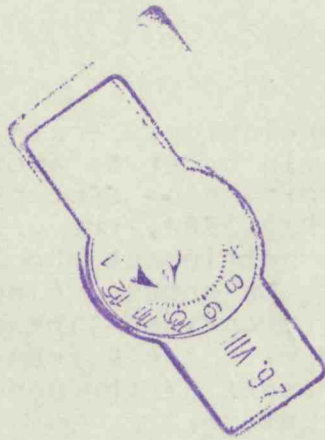
We do not put forward the case lightly or in a vaguely prudent attempt to avoid possible but unidentified problems. Our concerns are practical and more immediate. Largely as a result of the improvement of the scope of its work, the NAO is in effect in competition with the private sector for trained staff. In recent years recruitment has been unsatisfactory and wastage rates damaging. In 1984-85, over 100 staff left the NAO, which is about 12 per cent of the complement. The problem is therefore of present and not future concern. Much the most effective way of staunching this outflow and assisting the NAO to realise the vitally important aims of the National Audit Act would be to improve salary levels. Paying the head of the NAO a salary equivalent to that of Permanent Secretary to the Treasury would make this possible.

I am of course at your disposal to discuss the Commission's conclusions.

A handwritten signature in dark ink, consisting of a large, stylized 'E' followed by a series of horizontal strokes.

Sir Edward du Cann

GURT WACH : C+AG P13





10 DOWNING STREET

Press Notice

GOVERNMENT DECISIONS ON THE PAY OF SENIOR CIVIL SERVANTS,
SENIOR OFFICERS OF THE ARMED FORCES AND MEMBERS OF THE
JUDICIARY; AND ON THE PAY OF MEDICAL AND DENTAL OFFICERS
IN THE ARMED FORCES

The Government today published its decisions on the latest Report from the Top Salaries Review Body (TSRB), and also on a Supplementary Report from the Armed Forces Pay Review Body.

The decisions are contained in a Written Answer given by the Prime Minister today. A copy of the Written Answer is attached.

18 JULY 1985

Notes for Editors

Detailed inquiries about civil service pay and about pay and public expenditure generally, should be addressed to the Press Office, HM Treasury (233-3415); about Armed Forces pay to the Press Office, Ministry of Defence (218-7924/31); and about the pay of the judiciary to the Press Office, Lord Chancellor's Department (211-8915).

The reports from the Armed Forces Pay Review Body, the Doctors' and Dentists' Pay Review Body and the Pay Review Body for Nursing Staff, Midwives and Health Visitors, and for Professions Allied to Medicine, were published on 6 June.

Background Notes on the Review Bodies are attached.

Telephone 01-930 4433

Pursuant to her reply of 6 June to Mr Eric Forth, the Prime Minister said:

Report No 22 of the Top Salaries Review Body (TSRB) which recommends new salary rates as from 1 April 1985 for senior civil servants, senior officers of the armed forces, and members of the judiciary, is being laid before Parliament as a Command paper this afternoon. Copies will be available in the Vote Office.

2. The Review Body have on this occasion undertaken a comprehensive review not only of the salary levels of the groups concerned but also of the salary structures. It is for this reason that the Review Body's report has, by agreement with the Government, been delivered rather longer after the date to which the recommendations relate (1 April 1985) than usual. I should like to put on record the Government's gratitude to the Chairman and the other members of the Review Body for the care and thoroughness with which their conclusions and recommendations have been prepared.

3. For senior civil servants the Review Body have recommended certain changes in the salary structure with a view to introducing into the pay arrangements at these levels a greater degree of flexibility to take account of differences of performance and of job weight, and of other factors such as, for example, the state of the market for particular appointments. In particular, they have recommended:

- a greater degree of salary differentiation in Grade 1 (Permanent Secretaries) by reference to broad considerations of job weight;
- the introduction of incremental scales, including some discretionary increments to be awarded for high performance, for Grades 2 and 3 (Deputy and Under Secretaries and equivalents);

- the consolidation of London Weighting into Grade 3 pay.

4. In formulating their recommendations on salary levels for senior civil servants, the Review Body have taken into consideration such evidence as they have been able to gather on recruitment, retention, motivation and morale, and rewards available at comparable levels of responsibility in other walks of life. They have also taken into account the importance of being able to offer a reasonable career structure, in terms of salary, in order to achieve an adequate supply of people of the right quality to fill the top posts in the public service. Their consideration of these matters has led the Review Body to recommend a widening of differentials for the senior civil service which would entail substantial increases of remuneration at the top levels, though it would still leave those levels well below the salary levels of people at comparable levels and with broadly comparable responsibilities in the private sector.

5. Similar considerations have been taken into account in arriving at recommendations for senior members of the armed forces and the judiciary, with broadly similar results.

6. The Review Body have also recommended certain changes in the salary structure of the judiciary.

7. The new salary structures and levels recommended by the Review Body would increase the pay bill in a full year by 12.2 per cent for senior civil servants, by 17.6 per cent for senior members of the armed forces and by 16.3 per cent for the judiciary.

8. The Government accepts the view of the Review Body that it is of great importance for the health of the public service in this country that it should offer a career pay structure which will attract and retain people of the high quality which that service requires and deserves, and offers to the most able the prospect of being able eventually to attain levels of remuneration which, while not matching the highest levels of

remuneration available in the private sector, provide rewards which can be regarded not only by themselves but also by Parliament and the public as fair but not generous in relation to the responsibilities carried.

9. We accept in principle the Review Body's recommendations on salary levels. But the amounts involved are so considerable that we feel bound to implement the salary increases recommended for these groups by stages, as has been done on other occasions in the past. Accordingly those concerned, with a very few exceptions, will receive half of the increases recommended, with a minimum of 5 per cent, with effect from 1 July 1985 and the balance with effect from 1 March 1986. It is proposed that London weighting for Grade 3 and equivalent in the civil service should after appropriate consultation be built into pay. This would mean average increases for the financial year 1985/86 of 5.1 per cent for senior civil servants, 7.3 per cent for senior members of the armed forces and 7.1 for the judiciary. The cost of these increases in 1985/86 will be absorbed in existing public expenditure provisions and cash limits. I am circulating a note of the resulting rates of pay as an annex to this answer.

10. The Review Body recommend that the Permanent Secretaries of three Departments - the Ministry of Defence, the Home Office and the Department of Health and Social Security - should be paid at higher salary rates than other Permanent Secretaries in charge of departments. The Government does not consider that there is a sufficiently strong case for departing from the long-established position that Permanent Secretaries in charge of departments (other than the Permanent Secretary to the Treasury and the Secretary of the Cabinet) are paid at the same rate, and have decided not to implement this recommendation. Accordingly the Permanent Secretaries of the three departments concerned will continue to be paid at the same salary levels as other Permanent Secretaries in charge of departments.

11. The Review Body propose that the system of discretionary increments for high performance recommended for senior civil servants in Grades 2 and 3 should be introduced with effect from 1 April 1986. We shall give further consideration to this proposal, and to the arrangements for assessment, appraisal and review, on which such a system will depend, if it is realistically and fairly to reward high performance and to take account of cases in which high performance is not sustained, and I shall make a further statement on this aspect of the Review Body's recommendations in due course.

12. In accordance with the principle which was set out in my reply to a Question by the Hon Member for Leeds West on 13 April 1984, the superannuation entitlements of members of the groups in question will continue to be based on levels of salary actually in payment at or in the period before the date of retirement.

13. Also, the Armed Forces Pay Review Body have submitted to me a Supplementary Report on the pay of Medical and Dental Officers in the Armed Forces. It recommends increases of between 4.9% and 8.4% according to rank with effect from 1 June 1985. This reflects the awards to civilian doctors and dentists that I announced in the House on 6 June 1985 (Official Report, vol 80, No 128, cols 194-6).

14. The Government has decided to accept in full the recommendations in the Supplementary Report on the pay of Medical and Dental Officers. The Report has been published as Cmnd 9568 and copies are available in the Vote Office.

SENIOR PUBLIC SERVANTS

	Salaries currently in payment £	Salaries wef 1 July 1985 £	Salaries wef 1 March 1986 £	Numbers in post at latest available date
SENIOR GRADES OF THE HIGHER CIVIL SERVICE				
Head of Home Civil Service	51250	63125	75000	1
Permanent Secretary to the Treasury (note 1)	51250	60625	70000	1
Secretary of the Cabinet (note 1)	51250	60625	70000	
Permanent Secretary	45500	52750	60000	22
Second Permanent Secretary	42000	48500	55000	15
Deputy Secretary				
on promotion	) 36500	) 38325	40000	126
after 1 year in grade (note 2)	)	) 39250	42000	
Under Secretary				
on promotion (note 3)	)	) 30975	31000	
after 1 year in grade (note 2)	) 29500	) 31000	32500	499
after 2 years in grade (note 2)	)	) 31750	34000	

NOTES

1. If not also Head of the Home Civil Service
2. Deputy and Under Secretaries will be credited with existing seniority
3. It is proposed that London Weighting for Under Secretaries should be built into basic pay in two stages. Half will be assimilated on 1 July 1985 and the remainder on 1 March 1986 but for the period 1 July 1985 to 1 March 1986 the maximum rate of pay plus London Weighting for Under Secretaries with less than one year in the grade is £31000
4. Rates for grades consequential on the above salaries will be promulgated separately
5. The salary of the Head of the Diplomatic Service will correspond to those of the Permanent Secretary to the Treasury and Secretary of the Cabinet shown above

SENIOR OFFICERS OF THE ARMED FORCES

Admiral of the Fleet				
Field Marshal	51250	63125	75000	1
Marshal of the Royal Airforce				
Admiral				
General	45500	52750	60000	20
Air Chief Marshal				
Vice-Admiral				
Lieutenant General	36500	39250	42000	32
Air Marshal				
Rear Admiral				
Major General	29500	31750	34000	153
Air Vice-Marshal				

SENIOR PUBLIC SERVANTS

	Salaries currently in payment £	Salaries wef 1 July 1985 £	Salaries wef 1 March 1986 £	Numbers in post at latest available date
JUDICIARY				
Lord Chief Justice	64000	69500	75000	1
Master of the Rolls	58500	63750	69000	13
Lord of Appeal	58500	63750	69000	
Lord President of the Court of Session (Scotland)	58500	63750	69000	
Lord Chief Justice (Northern Ireland)	57000	63000	69000	
President of the Family Division	57000	61500	66000	25
Vice Chancellor	55500	60750	66000	
Lord Justice of Appeal	55500	60750	66000	
Lord Justice of Appeal (Northern Ireland)	55500	60750	66000	
Lord Justice Clerk (Scotland)	55500	60750	66000	
High Court Judge	51250	55625	60000	102
Judge of the Court of Session (Scotland)	51250	55625	60000	
Puisne Judge (Northern Ireland)	51250	55625	60000	
Chairman Scottish Land Court and President Lands Tribunal (Scotland) (note 1)	35000	39750	44500	30
Sheriff Principal (Scotland)	35000	39750	44500	
Official Referee (London)	35000	39750	44500	
Vice Chancellor of the County Palatine of Lancaster	35000	39750	44500	
Senior Circuit Judge	35000	39750	44500	
Recorder of Liverpool	35000	39750	44500	
Recorder of Manchester	35000	39750	44500	
Recorder of Belfast	35000	39750	44500	
Chief Social Security Commissioner (England, Wales, Scotland and Northern Ireland)	36000	40250	44500	
President Industrial Tribunals (England, Wales, Scotland and Northern Ireland)	36000	40250	44500	
Judge Advocate General	33000	38750	44500	
President Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland)	33000	38750	44500	
Chairman, Criminal Injuries Compensation Board	35000	39750	44500	

BACKGROUND NOTES ON THE REVIEW BODIES

Review Body on Top Salaries was appointed in May 1971 to advise the Prime Minister on remuneration of higher judiciary and certain other judicial appointments; senior civil servants; senior officers in the armed forces; and such other groups which might be referred to it (in practice, MPs' and Ministers' pay and allowances). Until August 1980, the TSRB also advised on the remuneration of the Chairmen and Members of the Boards of Nationalised Industries.

Chairman: Lord Plowden, KCB, KBE.

Review Body on Doctors' and Dentists' Remuneration was appointed in July 1971 to advise the Prime Minister on the remuneration of doctors and dentists taking any part in the National Health Service.

Chairman: Sir Robert Clark, DSC

Review Body on Armed Forces' Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of the Naval, Military and Air Forces of the Crown, and of any women's service administered by the Defence Council.

Chairman: Sir David Orr, MC

Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine was established in July 1983 to advise the Prime Minister, on the remuneration, with effect from 1 April 1984, of:

- (i) nursing staff, midwives, health visitors employed in the National Health Service; and
- (ii) physiotherapists, radiographers, remedial gymnasts, occupational therapists, orthoptists, chiropodists, dieticians, and related grades employed in the National Health Service.

Chairman: Sir John Hedley Greenborough, KBE, LLD

The Secretariats for the four review bodies are supplied by the Office of Manpower Economics.



10 DOWNING STREET

THE PRIME MINISTER

18 July 1985

My dear Edward,

As you will remember, we agreed to ask the Top Salaries Review Body, in the course of this year's review, to consider and advise the Government on the salary of the Comptroller and Auditor General. Peter Rees told you that the Government would wish to look at the position of the Comptroller and Auditor General in the light of its decisions on the main TSRB recommendations. He promised to provide the Commission with the TSRB's report on the salary of the Comptroller and Auditor General before the Government announced any decisions on it.

I am today announcing the Government's decisions on the main TSRB report. The report is being published as a Command paper and will be available in the Vote Office this afternoon. I attach a copy of the Written Answer in which I am announcing the Government's decisions.

I also attach a copy of Lord Plowden's letter to me setting out the TSRB's recommendations on the salary of the Comptroller and Auditor General. Having recommended in their main report a new, higher, salary rate for the Permanent Secretaries of the Ministry of Defence, the Department of Health and Social Security and the Home Office, they recommend that the Comptroller and Auditor General's salary should be linked to that point.

We have decided, as you will see, not to implement the Review Body's recommendation for a separate salary point for the three Permanent Secretaries concerned. This makes it

CC TSRB cc. Richard Bragg CST
Richard Hartfield Cabinet
Office

+ file

necessary to reconsider the position of the Comptroller and Auditor General. The Government is minded to maintain the present link with the Permanent Secretaries in charge of Departments. On this basis the Comptroller and Auditor General's salary would be increased to £52,750 from 1 July 1985 and £60,000 from 1 March 1986. This, of course, would represent an increase of over 30 per cent in the Comptroller and Auditor General's present salary.

The Government accept the view of the TSRB that, if at some future date it were decided to recruit a Comptroller and Auditor General from outside the Civil Service, the need could arise to pay a higher salary.

Before taking a final decision on the salary of the Comptroller and Auditor General, the Government would welcome the views of the Public Accounts Commission.

Yours ever
Nangan

The Rt. Hon. Sir Edward du Cann, KBE, MP.



Ref. A085/1927

MR BUTLER

Salary of the Comptroller and Auditor General

The Prime Minister will remember the Chief Secretary's correspondence with Sir Edward du Cann about the salary to be paid to the Comptroller and Auditor General. As a result of the correspondence, the Top Salaries Review Body (TSRB) was asked to consider and advise the Government on the salary of the Comptroller and Auditor General. Sir Edward du Cann was told that the Government would wish to look at the position of the C and AG in the light of its decisions on the main TSRB recommendations, and that the Public Accounts Commission would be provided with the TSRB's report before the Government reached its conclusions on it.

2. The Prime Minister will need to write to Sir Edward du Cann about this. I suggest that the letter should be timed to reach him not earlier than 3.30 pm on the afternoon on which the Prime Minister announces the Government's decisions on the TSRB salary recommendations.

3. I attach a draft letter for the Prime Minister to send to Sir Edward du Cann.

ROBERT ARMSTRONG

16 July 1985



CANN

DRAFT LETTER FROM THE PRIME MINISTER TO
THE RT HON SIR EDWARD DU CANN KBE MP,
HOUSE OF COMMONS

As you will remember, we agreed to ask the Top Salaries Review Body, in the course of this year's review, to consider and advise the Government on the salary of the Comptroller and Auditor General. Peter Rees told you that the Government would wish to look at the position of the Comptroller and Auditor General in the light of its decisions on the main TSRB recommendations. He promised to provide the Commission with the TSRB's report on the salary of the Comptroller and Auditor General before the Government announced any decisions on it.

I am today announcing the Government's decisions on the main TSRB report. The report is being published as a Command paper and will be available in the Vote Office this afternoon. I attach a copy of the Written Answer in which I am announcing the Government's decisions.



I also attach a copy of the TSRB's separate report on the salary of the Comptroller and Auditor General. You will see that the TSRB recommend that in future the C and AG's salary should be linked to those of the Permanent Secretaries of the Ministry of Defence, the Department of Health and Social Security and the Home Office (Permanent Secretary, salary level 3).

The Government is minded to accept this recommendation in principle and to stage its implementation in exactly the same way as for the three Permanent Secretaries concerned. On this basis the C and AG's salary will be increased to £ from 1 July 1985 and to £65,000 from 1 March 1986.

If you can let me know that the Public Accounts Commission are content with this proposal, the Government will put down a Resolution accordingly.



GIVE MARK
C + RS

OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

18 June 1985

Dear Prime Minister,

TOP SALARIES REVIEW BODY: COMPTROLLER AND AUDITOR GENERAL

The Secretary of the Cabinet wrote to me on 25 April to ask that, in addition to our normal remit, the TSRB should this year consider and advise the Government on the salary of the Comptroller and Auditor General (C&AG). I am writing to inform you of our conclusions on this matter. In looking into it, we have taken account of evidence from HM Treasury on behalf of the Government, the C&AG himself and Sir Edward Du Cann as Chairman of the Public Accounts Commission.

The responsibilities of the C&AG are set out in the National Audit Act 1983. In accordance with the relevant legislation the salary of the C&AG is linked to that of a civil service grade and is, at present, the same as that of a Permanent Secretary.

Against the background of the introduction of performance-related pay arrangements for staff of the National Audit Office (NAO), the Public Accounts Commission considered that the pay of senior management also needed to be restructured so as to allow for the extension of performance-related pay up to the level of Assistant Auditor General while providing for adequate differentials. In order to avoid the undue compression of differentials, and in recognition of his enhanced role, they concluded that the salary of the C&AG needed to be raised, and proposed that it should be equated with that of the Permanent Secretary of the Treasury (who together with the Secretary of the Cabinet is paid at a higher rate than Permanent Secretaries generally), as representing the highest-paid civil servant.

We have carefully examined all the evidence. We accept that the role of the C&AG, and of the National Audit Office under him, has undergone substantial development in recent years, with increased emphasis on the systematic examination of areas of government activity, and the improvement of systems and approaches, rather than the pursuit of a more limited audit function. As we have made clear in our general report, we also think it important, among other factors, that a salary structure should provide satisfactory pay differentials between different levels of management. Equally, we believe it to be appropriate that the salary of the C&AG should continue to be linked to an appropriate level of pay within the Civil



Service - to change this would in any case require legislation - and in considering what is the appropriate level for this purpose, we have had to examine the general weight of the job in relation to that of top civil service appointments.

In doing so, we have had the advantage that this year we have undertaken a systematic examination and evaluation of Permanent Secretary jobs throughout the Civil Service. In the light of this, we have judged, as you will have seen from our general report, that in future there should be greater differentiation in the pay of Permanent Secretaries, and for this purpose have divided them into 5 levels (including Second Permanent Secretaries) as follows:

Salary Level 1 : Head of the Civil Service

Salary Level 2 : Permanent Secretary to:

HM Treasury
Secretary of the Cabinet (if a single post)

Salary Level 3 : Ministry of Defence
Department of Health and Social Security
Home Office

Salary Level 4 : All other full Permanent Secretary posts.

Salary Level 5 : All Second Permanent Secretary posts.

In the light of the detailed evidence we have received on the developing role of the job of the C&AG, it is our view that in future his salary should be linked to the posts at level 3 above, and we so recommend.

The appropriate salary for this post as at 1 April 1985 is, therefore, in our judgment £65,000 per annum. In the event of it being decided at some time in the future to fill the post from outside the Civil Service, the need could arise to pay a higher salary, bearing in mind the high levels of remuneration which prevail in the upper reaches of the accountancy profession; but we have thought it right to form our recommendation on the basis of the position as we find it at present.

Yours sincerely
R. Plowden

PLOWDEN

cc TSRB



cc* Mr Kemp
Mr Corcoran
PS/Sir Robert Armstrong

Treasury Chambers, Parliament Street, SW1P 3AG

Sir Edward du Cann KBE
Chairman
Public Accounts Commission
Committee Office
House of Commons
London
SW1 OAA

25 April 1985

Sir Edward

Many thanks for your letter of 4 April. I am glad the Commissioners have endorsed your request to refer the matter of the salary of the Comptroller and Auditor General to the TSRB.

The TSRB have therefore been formally asked to advise the Government on the salary of the C & AG.

I believe it will be possible for them to provide a report which will be separate from their main report on the senior grades in the Civil Service. However, on timing, I do not think it would be possible for the TSRB to report on the C & AG in advance of their main report and, as I have said to you before, the Government will wish to look at the position of the C & AG in the light of its decisions on the main TSRB recommendations. That said, I believe it would be right to provide the Commission with the TSRB's advice on the salary of the C & AG before the Government reaches any decision on it.

Peter Rees

PETER REES



NBAM



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Edward du Cann KBE MP
Public Accounts Commission
Committee Office
House of Commons
LONDON
SW1A 0AA

19th March 1985

A handwritten signature in dark ink, appearing to read "Sir Edward du Cann".

Many thanks for your letter of 7th March. I am glad you appreciate the importance we attach to the work of the Public Accounts Commission and hope the approach to the salary of the C & AG we have discussed will commend itself to the Commission.

Can I just say that I well understand that the PAC will want to consider the subject afresh in the light of the TSRB's views. I hope that you, in turn, will understand that the Governmnet for its part will want to look at the position in the light of our decisions on the TSRB recommendations. As for timing, the TSRB has a very full programme this year. Nevertheless, while we cannot be certain, we are hoping to receive the report in about 3 months time. I will write to you further then.

A handwritten signature in dark ink, appearing to read "Peter Rees".

PETER REES

From the Rt Hon Sir Edward du Cann, KBE, MP

B/F 1 week



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

01-219 (Direct Line)
01-219 3000 (Switchboard)

CHIEF SECRETARY	
REC.	11 MAR 1985
ACTION	Mr Kemp
COPIES TO	PM, Sir P. M. de la Motte Mr Barclay, Mr Watson Mr Kayser, Mr. S. Sinclair Mr Corcoran

PUBLIC ACCOUNTS COMMISSION

7 March 1985

The Rt Hon Peter Rees, QC, MP
Treasury Chambers
Parliament Street
SW1P 3AG

Ans du Cann

Thank you for your letter about the salary of the Comptroller and Auditor General. Your general remarks of appreciation on the work of the Commission are welcome, of course: however it is nine months since the TPAC reported to the House of Commons on this matter. I hope you will agree that common courtesy requires that a report from senior Members of the House deserves prompter action than we have so far achieved.

Your letter makes it seem as if it was Ministers who took the initiative in coming to the Commission to give their views. This was not the case. The Commission reported on 25 May 1984. When we heard nothing by way of reply I caused certain enquiries to be made through the Clerk. No response was forthcoming. I asked for an interview which you were kind enough to give me. Thereafter we still had no response - formal or informal. I then wrote to you on 29 November and 13 December. Having an inconclusive response from you on 20 December, I wrote once more on 2 January. It was only following this letter that the Prime Minister asked to see me.

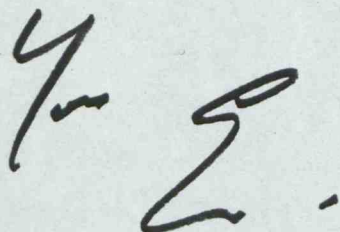
The Commission was never informed that the salaries of Permanent Secretaries were being reported to the TSRB until this was mentioned in your letter of 20 December. When I saw the Prime Minister I put to her a proposal that the salary of the C&AG should be included in this review. Until your letter of 14 February I had no formal response to this suggestion of mine which I had hoped would solve an embarrassing matter, and settle it.

Because I did not hear further I approached you in the House and asked you if you would expedite a decision, which you have now been kind enough to do. I will, of course, tell the Commission what you say, and I am sure its members will be glad that my proposal of a reference commends itself to you.

Cont

In your penultimate paragraph, you make two points about the Government's intentions. Before deciding on any course of action - or deciding against any course of action - surely it would be better to wait and see what the TSRB has to say about the C&AG's salary and then make a decision in the light of their recommendation? The Commission has made clear its concern about the matter of the C&AG's salary. Charged as it is by statute and the instruction of the House to administer the National Audit Office effectively, its members are bound to want to consider the subject afresh in the light of the TSRB's views.

When do you expect the TSRB to report? I hope the report will not be delayed, as I have already made clear to you we have been waiting nine months to deal with what, in the view of the Commission, is an urgent matter and we do not want to wait any longer than is absolutely necessary. On behalf of the Commission may I ask you to request the TSRB to address itself to this particular matter promptly.


EDWARD DU CANN

GOVT MACH: Ct Ab

Pt 3



179 MAR 1985

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

15 February 1985

Salary of the C and AG

Thank you for your letter of 14 February enclosing a copy of a letter which the Chief Secretary has written to Sir Edward du Cann. The Prime Minister has seen and noted this.

I am copying this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

E. E. R. BUTLER

R.J. Broadbent, Esq.,
HM Treasury.

CONFIDENTIAL

SMH

CONFIDENTIAL



Prime Minister

To see: His
was the suggestion which
you discussed with Sir
Edward du Cann.

Treasury Chambers, Parliament Street, SW1P 3AG

Robin Butler Esq
10 Downing Street
London
SW1

FERB

14.2.

14 February 1985

Dear Robin

ms

SALARY OF THE C AND AG

Thank you for your letter of 8 February. The Chief Secretary has concluded that Sir Edward du Cann's invitation to propose a reference of the C and AG's salary to the TSRB should be taken up. He has now written to Sir Edward du Cann (copy attached) formally offering to make the reference. I will confirm as soon as we have Sir Edward du Cann's reply.

I am sending copies of this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary

CONFIDENTIAL

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

Sir Edward du Cann MP
House of Commons
London
SW1A 0AA

14 February 1985

A handwritten signature in dark ink, appearing to read "Sir Edward".

PUBLIC ACCOUNTS COMMISSION - 2ND REPORT

Thank you for your letter of 2 January. I am sorry you feel that the Public Accounts Commission has been treated with anything but courtesy by Ministers. I can assure you that Ministers, not least Treasury Ministers, very much respect and appreciate the Commission and the constructive work which it does.

I recognise that some time has passed since the Commission's 2nd Report, but in the case of the pay of the C and AG some difficult issues arise. Before I wrote to you on 20 December, other colleagues and myself spoke to you on a number of occasions to explain why you have not had a formal reply. Matters were further complicated by the Government's request to the TSRB, made in November, that they should following a recommendation by the Megaw Committee on Civil Service pay consider whether there should be greater differentiation in pay for Permanent Secretaries, based on job weight. We thought it would be wrong to take a view on what the link should be in future until decisions had been reached following this examination.

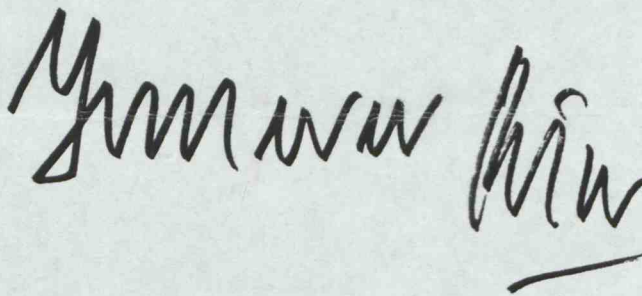
In view of what you say, however, I would like to propose to you an alternative way forward. This is that the Government should refer the post of the C and AG for examination by the TSRB both as to job weight and salary as part of the examination which the TSRB are currently carrying out of the pay of senior public servants, which itself includes an examination of pay differentiation by job weight for Permanent Secretaries. A decision could then be taken on the position of the C and AG in the light of whatever the TSRB might recommend and against the background of the decisions the Government might take on the TSRBs proposals in respect of the senior open structure and Permanent Secretaries in particular.

CONFIDENTIAL

CONFIDENTIAL

In making this suggestion I should add two obvious points. First, you will appreciate that the Government cannot be bound in advance to endorse whatever the TSRB might recommend. Second, the Government has no present intention of amending the legislation which currently sets the maximum salary of the C and AG at the level paid to the "super" Permanent Secretary grade.

I should be grateful if you would let me know whether you think this is a way forward which would commend itself to the Public Accounts Commission.

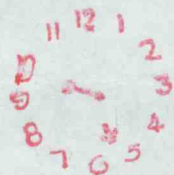
A handwritten signature in dark ink, appearing to read 'Peter Rees', with a horizontal line underneath the name.

PETER REES

CONFIDENTIAL

GOVT. MACHINERY:
Role of C+AG : Pt 3.

14 FEB 1985





hue

DG

10 DOWNING STREET

From the Principal Private Secretary

8 February 1985

Dear Richard,

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

You will have seen a copy of Sir Robert Armstrong's minute of 7 February (A085/422).

If, notwithstanding Lord Plowden's reservations, the Chief Secretary decides that the balance of advantage lies in accepting Sir Edward du Cann's proposal, I do not think there is a need for a further report back to the Prime Minister, and the way would be open for the Chief Secretary to agree to Sir Edward du Cann's proposal. If the Chief Secretary concludes that Sir Edward's proposal cannot be accepted in the form in which he put it, no doubt he will let the Prime Minister know.

I am copying this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and Sir Robert Armstrong.

Yours sincerely,

Robin Butler

Richard Broadbent, Esq.,
Chief Secretary's Office,
H. M. Treasury.

RBT

Ref. A085/422

MR BUTLER

Salary of the Comptroller and Auditor General

I have now consulted Lord Plowden on the basis of the second paragraph of Mr Broadbent's letter of 1 February.

2. The Top Salaries Review Body remain reluctant to receive a request to make a specific recommendation on the salary of the Comptroller and Auditor General, given the considerable number of other posts whose salaries are in one way or another related to that of the Permanent Secretary. If they are nonetheless to be asked to do so, they would prefer to do so as part of their general review and not after it. They would wish to make it clear in their report that they had not in general reviewed the salaries of other posts related to that of Permanent Secretary, but that they had been specifically asked by Ministers as a special case to review this one.

3. I am sending copies of this minute to the Private Secretaries to the Lord Privy Seal, the Chief Secretary to the Treasury and the Chief Whip.

RA

ROBERT ARMSTRONG

7 February 1985

CONFIDENTIAL

NBPM



Treasury Chambers, Parliament Street, SW1P 3AG
Robin Butler Esq
Private Secretary
10 Downing Street
London
SW1

1 February 1985

Dear Robin

SALARY OF THE C AND AG

Thank you for your letter of 17 January.

The Chief Secretary hopes to be in a position shortly to advise the Prime Minister on the proposition described in your letter put forward by Sir Edward du Cann at his meeting with the Prime Minister. As time is passing, I thought I should let you know briefly where matters stand.

Following your letter of 17 January, Sir Robert Armstrong spoke informally to Lord Plowden who expressed reservations about taking on a C and AG study, particularly if he was asked to carry it out in parallel with his work on Permanent Secretaries. The Chief Secretary felt these reservations could be overcome by emphasising the unique nature of the C and AG study and perhaps by suggesting, if Sir Edward du Cann agreed, that the C and AG work should be conducted after the Permanent Secretaries review was complete.

Sir Robert Armstrong has agreed to consult Lord Plowden further on this basis, and hopes to be able to report Lord Plowden's reaction in the course of next week. In the meantime, the Chief Secretary has spoken informally to Sir Edward du Cann to explain the delay in replying to his letter. Sir Edward is content to wait a little longer.

I am copying this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and to Richard Hatfield (Cabinet Office).

Yours ever

Richard Broadbent

R J BROADBENT
Private Secretary

CONFIDENTIAL

Count Mach: C + AG Pt 3.



11 FEB 1985



Treasury Chambers, Bank of England, SW1P 3AC

RECEIVED
11 FEB 1985
LONDON



NBPM

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/246

23 January 1985

Dear Sir Rth,

Salary of Comptroller and Auditor General

Robin Butler's letter of 17 January recorded that, when the Prime Minister saw Sir Edward Du Cann on this subject, Sir Edward indicated that he would be willing to defer further consideration of the proposal that the salary of the Comptroller and Auditor General should be equated with that of the Permanent Secretary to the Treasury until after the forthcoming TSRB report, if the TSRB was specifically asked to recommend on the salary of the C and AG.

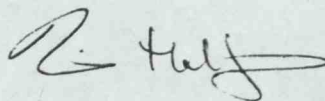
As agreed, I consulted Lord Plowden, the Chairman of the TSRB, privately and informally, to see what his reaction would be to receiving a request to make such a recommendation. It was clear that he - and he did not doubt that his colleagues on the Review Board would agree - would be extremely reluctant to receive such a request. There are a considerable number of posts whose salaries are in one way or another related to that of the Permanent Secretary; not only the Comptroller and Auditor General but such diverse appointments as Clerk of the House of Commons and Commissioner of Police for the Metropolis. If the TSRB were asked to make recommendations in respect of one of these posts, it would be difficult to resist proposals that they should do so for others. The considerations could be very different in each case, and the resulting addition to the TSRB's task would be by no means insignificant. As you know, it is already expected that the TSRB report will not be available until late in May or early in June. Lord Plowden has no doubt that, if they were asked to make recommendations in respect of Permanent Secretary-related appointments as well as of Permanent Secretaries, their report would

/be

Sir Peter Middleton KCB

be further delayed. Indeed, he doubts whether it would be possible for the TSRB to deal with the salaries of these appointments within the timescale of the present review.

Yours

A handwritten signature in cursive script, appearing to read "R. Helf".

(Approved by Sir Robert Armstrong
and signed in his absence)

Govt MACA : C+AG P73



24 JAN 1985



Treasury Chambers, Parliament Street, SW1P 3AG

Robin Butler Esq
Private Secretary
No. 10 Downing Street
London
SW1

17 January 1985

Dear Robin

SALARY OF THE C AND AG

We spoke. I enclose a copy of the Second Report of the Public Accounts Commission. Paragraphs 20-25 dealt with the C and AG's salary.

The C and AG is appointed (by Letters Patent) "during good behaviour". No fixed term of office is specified. In practice, the last three C and AGs' have retired after five years in office. Their age on retirement ranged between 61 and 64.

Mr Gordon Downey was appointed C and AG in 1981. He is however younger than his recent predecessors (he will be 57 this year). There is no obligation on him to retire in 1986, when he will have completed five years in office. He could not be removed from office except by a positive resolution of both Houses of Parliament.

I am copying this letter to Richard Hatfield (Cabinet Office).

Yours ever

Richard Broadbent

R J BROADBENT
Private Secretary

SUBJECT
cc Master.



file

shagm

10 DOWNING STREET

From the Principal Private Secretary

17 January 1985

SALARY OF THE C & AG

The Prime Minister saw Sir Edward du Cann this evening.

Sir Edward du Cann rehearsed the background to the Commission's recommendation. He said that a number of other Members in the House of Commons and he had worked very hard over the last 10 years to improve the standard of auditing in Government. They felt that they had made considerable progress, culminating in Mr St. John Stevas's Bill passed just before the last Election. The National Audit Office was now more keen and professional, and better qualified than it had been before. It was being brought together in a single building in Victoria and promised to be an effective force both in traditional audit and in securing value for money. The salaries of junior members of the office had been improved, but were still below the lowest quartile of salaries in the financial sector. The salaries of the C & AG and his two Deputies were not in the control of the Commission and at their present levels were causing a bunching in the salary scale below them. Some modest enhancement was necessary at the top and this was the purpose of the Commission's recommendation in its second report.

The Prime Minister said that she did not think it right at present to align the salary of the C & AG with that of a "super" Permanent Secretary. She recognised that a problem might arise when the present C & AG had to be replaced, but that should not be anticipated. The Government had in any case to consider a recommendation of the Megaw Committee for more differentiation of Permanent Secretaries' salaries in relation to the weight of their jobs and the TSRB had been asked in November to give their advice on this. It would be sensible not to take a definite view on the Commission's recommendation until the TSRB's views had been received.

CONFIDENTIAL

Sir Edward du Cann said that the Members of his Commission were indignant that no reply had so far been received from the Government to their recommendation and would not take at all kindly to the suggestion that they would have to wait until the summer. He therefore had a suggestion to make, which was that the Government should ask the TSRB to consider the salary of the C & AG alongside those of the Permanent Secretaries. If this could be done, he would be content and he was confident that he could sell such a proposition to the Members of the Commission.

The Prime Minister said that such an arrangement might well provide a way forward. She would consider it urgently and arrange for a reply to be sent by the Chief Secretary to Sir Edward du Cann.

BF | The Prime Minister would be grateful for advice on this proposition, which has some similarities with the fallback suggestion suggested by the Chief Secretary in paragraph 8 of his minute of 12 December. Sir Robert Armstrong advised against such an arrangement at that stage on the grounds that it would complicate consideration of the TSRB's recommendations. But it is clear that, unless strong reasons can be adduced against it, Sir Edward du Cann is unlikely to be content with anything less.

While this suggestion is being considered, Sir Edward du Cann said that he would be content to wait for a reply from the Chief Secretary to his letter of 2 January.

I am copying this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and Sir Robert Armstrong.

Richard Broadbent, Esq.,
Chief Secretary's Office

CONFIDENTIAL

PRIME MINISTER

Salary of C&AG: Meeting with Sir Edward du Cann

You may like to speak to Sir Edward on the following lines:-

"I know of your concern that the Public Accounts Commission have not had a reply to their recommendation of May last year that the C&AG's salary should be equated with the Permanent Secretary of the Treasury.

I understand that this is frustrating to the Commission but it is a difficult matter and no discourtesy is intended to the Commission by the time taken by the Government to respond.

Peter Rees will be replying to your letter, but I want to tell you personally my own view.

I do not believe that the C&AG's post is of comparable weight to that of Permanent Secretary to the Treasury or Cabinet Secretary.

Government have had in any case to consider the Megaw Committee recommendation for more differentiation of Permanent Secretaries salaries in relation to the weight of their jobs. This too is a difficult subject and we decided in November to seek the TSRB's views.

It is sensible to wait for the TSRB's recommendations before deciding which level of pay to align A&CG with. TSRB likely to report during the summer.

Sorry to hold the matter up until then. But hope the Commission will accept that there are substantial reasons for doing so."

A background note and notes on replies to points which Sir Edward du Cann may raise is attached.. Sir Edward du Cann may make two additional points. One is that the pay structure of the National Audit Office is compressed by the pay level of the C&AG. You could reply that you recognise this, but it is not the first time that a problem of this sort has had to be lived with for a time. The second point is that the Commission are looking to the future when a successor to the present C&AG may have to be recruited at a higher salary. You could say in response to this that you recognise that there may be a problem about this, but it does not arise in the immediate future.

If you feel that the temperature of the meeting allows it, you could mention to Sir Edward du Cann your concern about the growing cost of Parliament!

F.R.B.

16 January 1985



10 DOWNING STREET

From the Principal Private Secretary

15 January, 1985.

Salary of Comptroller and Auditor General

The Prime Minister was grateful for the Chief Secretary's minute of 9 January. She has also received Sir Robert Armstrong's minute suggesting some amendments to the draft letter to Mr. du Cann attached to the Chief Secretary's minute.

The Prime Minister is content that the Chief Secretary should write to Mr. du Cann as proposed. She has also agreed to have a personal word with Mr. du Cann, and this has been arranged for 1800 on Thursday, 17 January. I suggest that the Chief Secretary's letter to Mr. du Cann is prepared to be sent off at that time, but that it is not actually despatched until I let you know that the Prime Minister's conversation with Mr. du Cann has taken place. This would also give time for second thoughts in case the Prime Minister's discussion with Mr. du Cann causes her to suggest any changes in the line in the letter.

Unless I hear to the contrary, I will take it that you are content to proceed as proposed above, and I will telephone you at the end of the Prime Minister's meeting with Mr. du Cann on Thursday evening.

I am sending copies of this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office), and to Sir Robert Armstrong.

Richard Broadbent, Esq.,
HM Treasury.

CONFIDENTIAL



NBPM

Ref. A085/90

MR BUTLER

Salary of Comptroller and Auditor General

The Chief Secretary sent me a copy of his minute of 9 January to the Prime Minister.

2. I should like to suggest three minor amendments to the draft reply to Sir Edward du Cann, with which I am in general content:

- in paragraph 2, line 7, after "TSRB" insert "(formally put to them in the middle of November)"
- in paragraph 2, line 9, for "might" substitute "should"
- in paragraph 3 delete last two lines and substitute "to tell us that they are likely to take a few weeks longer than usual."

3. The purpose of the first of these amendments is to deal with the sentence in brackets in the third paragraph of Mr du Cann's letter.

4. I am sending copies of this minute to the Private Secretaries to the Chief Secretary, the Lord Privy Seal and the Chief Whip.

ROBERT ARMSTRONG

10 January 1985

ABP

~~Mr. Butler~~

Mr Butler

David Barclay 1800 on 17 Jan
at No 10.

sub
1571

Could you please fix,

either directly or through

Mr. Alison, a time for the

PM to see Mr. Du Cann,

and then return the papers to

me so that I can ensure that

the Treasury's letter is sent off
simultaneously.

BRB 11.1.

CONFIDENTIAL



Prime Minister

(i) Content with the draft
reply which the Chief Secretary would send

(ii) Agree to speak to Mr. Du Cann?

FROM: CHIEF SECRETARY

DATE: 9 January 1985

FERB

10.1

PRIME MINISTER

SALARY OF COMPTROLLER AND AUDITOR GENERAL*papers attached*

Following my minute to you of 12 December, I wrote to Edward du Cann along the lines you agreed: namely to say that the TSRB were considering greater pay differentiation for Permanent Secretaries and it would, therefore, be sensible to wait on their report, and the Government's decision on it, before taking a view on the C & AG's salary. I attach ... a copy of my letter.

2 Edward has now replied and I attach a copy of his letter. We must maintain our present position. But I think we have to try to deal with his suggestions that the Commission have not been treated with courtesy; and also we must give him some indication of when, on our present thinking, we would expect to be able to reply to the Commission's proposal about the salary of the C & AG.

3 I enclose a draft of a reply which, subject to your views, I would propose to send. It is of course unfortunate that, as we know, this year the TSRB report, and decisions on it, are likely to be a little later than usual; but we cannot avoid facing up to this, and the draft spells it out. On the other hand the draft does not attempt to rise to Edward's point about when the Government gave this additional remit about Permanent Secretaries to the TSRB (in fact it was on 12 November), or to his reference to the appointment of Mr Levene

CONFIDENTIAL

CONFIDENTIAL

4 In view of the concerns that have been raised, I think it would be helpful if you were able to have a personal word with Edward du Cann, as you suggested, perhaps at the same time as I send my reply. I attach a brief note which includes relevant dates and some answers to points which Edward may raise.

5 I am copying this to John Biffen, John Cope and to Sir Robert Armstrong.


PETER REES

CONFIDENTIAL

CONFIDENTIAL

*Amendment suggested
by Sir Robert Armstrong
inserted in manuscript.*

DRAFT LETTER TO:

Rt Hon Sir Edward du Cann KBE MP
Chairman
Public Accounts Commission
House of Commons
LONDON
SW1A 0AA

PUBLIC ACCOUNTS COMMISSION - SECOND REPORT

Thank you for your letter of 2 January. I am sorry you feel that the Public Accounts Commission has been treated with anything but courtesy by Ministers. I can assure you that Ministers, not least Treasury Ministers, respect and appreciate the Commission and its constructive work.

2 I recognise that some time has passed since the Commission's Second Report, but in the case of the pay of the C &AG some difficult issues arise. Before I wrote to you on 20 December, other colleagues and myself spoke to you on a number of occasions to explain why you had not had a formal reply. Matters were further complicated by the Government's request to the TSRB ^(formally put to them in the middle of November) that they should, following a recommendation by the Megaw Committee on Civil Service pay, consider whether there ^{should} ~~might~~ be greater differentiation in pay for Permanent Secretaries, based on job weight. Given the longstanding link there has been between the pay of the C &AG and that of Permanent Secretaries, we thought it would be wrong to take a view on what the link should be in future until decisions had been reached following this examination.

CONFIDENTIAL

CONFIDENTIAL

3 You ask when the Commission can now expect an answer to its proposals. As you know, the TSRB normally sends its report to the Prime Minister around the end of March, and that report, and decisions on it, are published up to two months later. This year, however, the TSRB are carrying out one of the fuller surveys of pay levels of their groups which they undertake every few years and this, coupled with the remit about Permanent Secretaries' pay, has led the Board to tell us that they are likely to take a ^{few weeks} ~~little~~ longer than usual, ~~probably a month or two longer.~~

4 I am copying this letter to John Biffen and John Cope.

PETER REES

CONFIDENTIAL



SALARY OF THE C&AG - BACKGROUND NOTE AND POINTS THAT MAY ARISE

I. Background

In May 1984 the Public Accounts Commission (PAC) recommended that the salary of the C&AG, currently aligned with that of a full Permanent Secretary (rate now £45,500) should be aligned in future with that of "super" Permanent Secretary (Head of the Home Civil Service and Permanent Secretary to the Treasury - £51,250). Such a move requires a resolution in the House, moved by the Government. Ministers' view is that in terms of job weight the job of the C&AG does not equate to that of "super" Permanent Secretary, and that this pay equivalence should not be given. Separately, however, the Government on 12 November invited the TSRB to consider the question of job weight for Permanent Secretaries; an idea which is not new and which most recently emerged in the Megaw Report in 1982. Clearly if there is a possibility of changes in the structure of the pay of Permanent Secretaries it is not possible now to settle how the C&AG's pay might be linked to that of Permanent Secretaries. However given this additional remit, and the fact that the TSRB are anyway engaged this year in a major review of the pay levels of their groups, it is unlikely that they will have reported, and decisions on their report will have been taken, until rather later than usual; indeed probably not much before the Summer Recess. This means that a decision on the C&AG link cannot be taken before then.

II. Timetable of events

- | | |
|-----------|--|
| 25 May | Commission's Second Report recommends <u>inter alia</u> that the salary of the C&AG from 1 October 1984 should be the same as that of the Permanent Secretary to the Treasury. |
| June/July | Mr Du Cann draws attention of Government to report and discusses it with Chief Secretary. |



- 23 July Mr Butler's letter to Mr Gieve, following Chief Secretary's minute of 19 July, records Prime Minister's view that it would not be right on merits to put the salary of the present C&AG on a par with that of the Secretary to the Cabinet and the Permanent Secretary to the Treasury; that there should be no Resolution before the Recess; and that the debate on the second report, planned for the overspill, would allow the House an opportunity to discuss the question of the C&AG's salary.
- 12 November TSRB given formal remit to consider job-weighted pay differentiation for Permanent Secretaries.
- 29 November In the absence of a debate on the report, Mr Du Cann writes to the Chief Secretary urging that a full statement be given of the Government's position with regard to the C&AG's salary.
- 10 December Discussion of the position between Mr Cope and Mr Du Cann (with the Chief Secretary subsequently speaking to Mr Du Cann).
- 14 December Mr Butler's letter to Mr Broadbent records Prime Minister's agreement to line of reply to Mr Du Cann.
- 20 December Chief Secretary writes to Mr Du Cann saying it would be sensible to wait on TSRB report before taking a view on the C&AG's salary.
- 2 January Sir Edward Du Cann replies to Chief Secretary.



III. Questions that may come up

Why hold up a decision on the C&AG while the Permanent Secretary exercise goes forward?

The C&AG has for a very long time been linked with Permanent Secretaries; we cannot just throw this overboard.

Why not agree now that links should be that of super Permanent Secretary?

Not convinced that there is equivalence in job weight terms.

Why not refer the C&AG's position to the TSRB?

Not necessary. PAC has already made its views known about the C&AG.

What happens if, following the TSRB Report, PAC and Government still cannot agree about the C&AG's pay?

Let us wait and see.

Reference to TSRB made deliberately in order to delay a decision on C&AG?

Not so. Job weight for Permanent Secretaries not new idea - see for instance Megaw - and reference follows logically on Government's decision to embark on performance bonus experiment in the Civil Service. [Reference made on 12 November 1984].

What about hint about Mr Levene?

Quite different. Mr Levene new person to be recruited. C&AG here and now.

19 JAN 1985



CONFIDENTIAL

From: the Rt. Hon. Edward du Cann, M.P.

CHIEF SECRETARY	
REC	- 4 JAN 1984
ACTION	Mr Doodall
COMES TO	PPS Sir Peter Middlebrook
	Mr Sir Peter McKerr
	Mr Sir Peter McKerr
	Mr Sir Peter McKerr
	Mr Sir Peter McKerr



HOUSE OF COMMONS
LONDON SW1A 0AA

2nd January 1984

L. Paine

Thank you for your letter of 20th December.

If you do not mind my saying so I think it gives a wrong impression. If I had not asked for appointments or if I had not raised the matter in conversation I have no reason to think that I would yet have heard from the Government in reply to the very reasonable and sensible Report made by the Public Accounts Commission. That Report was made seven months ago.

I had no idea, nor had the Commission, that Lord Plowden was making the enquiries that you describe in the penultimate paragraph of your letter. (It would be interesting to know the date on which the Government made its request to Lord Plowden). Why this information was not given to the Commission sooner I do not know. Your letter still gives the Commission no idea when it can expect an answer to its proposals, and I am sure my colleagues will very reasonably ask me why this is so, especially when they have seen only a week or two ago another example of Ministers making a special case in a public service appointment. This new House of Commons Commission is hardly being treated with the ordinary courtesy one would expect from Ministers.

For my own part I quite fail to see why the Commission should not now be given a positive reply to its very reasonable proposal.

Edward du Cann

The Rt Hon Peter Rees. Q.C..M.P..
Treasury Chambers
Parliament Street
SW1P 3AG

End.



Treasury Chambers, Parliament Street, SW1P 3AG
 Rt Hon Edward du Cann MP
 House of Commons
 London
 SW1A 0AA

20 December 1984

Am Edward

PUBLIC ACCOUNTS COMMISSION - SECOND REPORT

Thank you for your letters of 9 November and 13 December about the Commission's conclusion in their Second Report concerning the salary of the Comptroller and Auditor General (C & AG).

We have, of course, spoken about this on a number of occasions and you have also spoken to John Cope. I explained when we spoke that you have not yet had a formal reply because we wished to consider very carefully the points you made in your letters.

Although no announcement has been made I should say that the Top Salaries Review Body (TSRB), under the Chairmanship of Lord Plowden, is currently considering at the government's request whether there should be greater differentiation in pay for Permanent Secretaries. In these circumstances there must be considerable uncertainty surrounding Permanent Secretaries' pay for the future, and I think it would clearly be wrong now to reach a decision on any particular Civil Service salary with which the C & AG might be linked. I think we must wait for the TSRBs report, and the Government's decisions on it, before taking a view on the C & AGs salary. I know you are anxious to avoid delay in this matter but having given it a great deal of thought I think this is the right course of action.

I am copying this letter to John Biffen and to John Cope.

Am Edward

PETER REES



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 (Direct Line)
01-219 3000 (Switchboard)

B/E 19/12

CHIEF SECRETARY	
REC	14 DEC 1984
ATTN	Mr Rayner
	PPS
	Sir Peter Middleton
	Mr Bailey, Mr Kemp
	Mr Watson

PUBLIC ACCOUNTS COMMISSION

13 December 1984

Rt Hon Peter Rees MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

The Commission met on Tuesday of this week and I had to inform the Members that the Government had still not given any official reply to the recommendations contained in the Commission's Second Report about the salary of the Comptroller and Auditor General. You will not be surprised to hear that all the Commissioners present were dismayed to learn that the Government had still not acted nearly seven months after the Commission had made its Report to the House and in spite of the reminder sent to you by letter on 29 November.

The National Audit Act 1983 set up this Commission with the specific aim of transferring to Parliament - where it properly belongs - responsibility for the finances of the new National Audit Office.

After giving the matter of the NAO's staffing the most careful consideration (including taking advice from a firm of management consultants), the Commission decided that firm action needed to be taken to stimulate recruitment and to stem the wastage of the professional staff in the NAO. To this end, for most grades the general level of pay has been revised some way towards that of the accountancy profession and a system of performance-related pay has been introduced (The Commission has of course noted that on the latter aspect the Government itself has begun to move the Civil Service in the same direction).

Given the present salary level of the C&AG and the introduction of improved salary arrangements for the lower and medium grades, the headroom available for the salaries of the officers at the top of the NAO has been left severely compressed. In particular, this has made it impossible to apply the new performance-related system to the crucial grade of Assistant Auditor General, which the management consultants considered vital to the credibility of the system.

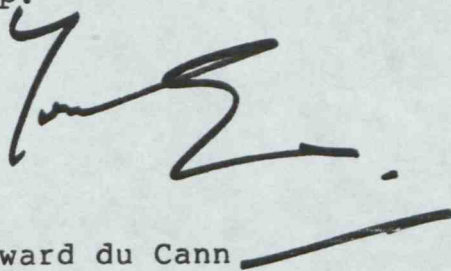
The NAO is a unique body. In the Commission's view it is unacceptable that its effectiveness on behalf of Parliament should be prejudiced by an unsatisfactory pay structure for top management.

This unsatisfactory state of affairs cannot be remedied in a sensible manner without there being an increase in the salary of the Comptroller and Auditor General - which as the Commission stated in its Second Report is in any case justified by the Comptroller's enhanced role in the public service. (Again, the Commission has not failed to note the Government's readiness to increase top salaries where special circumstances apply, as in the recent case of the Head of the Government Accountancy Service.)

It would be most unfortunate if the new status of the National Audit Office - and its operational efficiency - were to be endangered by the failure of Government to act in the one matter in which it continues to have responsibility, especially when it is known to be the unanimous view of the Commission, with the full support of the Public Accounts Committee, that action is needed.

Commissioners feel affronted that Ministers have not seen fit even to reply to their recommendation. For this reason, in the absence of a very early and satisfactory reply from the Government they will have no alternative other than to bring this matter to the attention of the House by making a further Report in the strongest terms.

I am sending a copy of this letter to the Leader of the House and to the Chief Whip.

A handwritten signature in dark ink, appearing to be 'Edward du Cann', written over a horizontal line.

Edward du Cann

8 0 1 1 2 1
6 7 0 1 2 3

14 DEC 1984

From Rt Hon Edward Du Cann, Chairman



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 (Direct Line)
01-219 3000 (Switchboard)

PUBLIC ACCOUNTS COMMISSION

SECRETARY
30 NOV 1984
Mr. Rayner
PPS, Mr. Bailey
Sir Peter Middleton
Mr. Kemp, Mr. Hale
Mr. Carter, Mr. Woodall

29 November 1984

Rt Hon Peter Rees MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

Mr. du Cann

As you know, the Public Accounts Commission made a Report to the House in May in which it recommended that steps should be taken to increase the salary of the Comptroller and Auditor General to the level of that of the Permanent Secretary to the Treasury. The Commission regarded this as an essential part of a package of proposals on salaries for professional staff of the National Audit Office, to be introduced on 1 October 1984. We have of course, discussed this together.

The new performance-related salary structure is now in operation for all staff below the rank of Assistant Auditor General. But the effect of this has been to compress even more the levels of salaries at the top of the National Audit Office. This is clearly undesirable.

The Commission is to meet on 11 December to examine the Draft Estimate for the National Audit Office for 1985-86. Commissioners will have in front of them a Report from the PAC which I have not seen but which I have reason to believe will urge upon them the need for early progress to alleviate the top salaries problem.

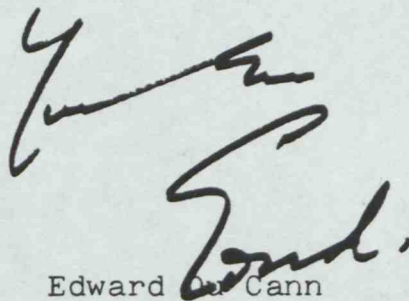
The only available mechanism for adjusting the level of the C&AG's salary is that laid down in the Exchequer and Audit Act 1957 as amended by the Parliamentary and Other Pensions Act 1976. This involves the passing of an appropriate motion by the House of Commons, which has to be placed on the Order Paper by a Minister of the Crown.

cont

I have informed the Commission at previous meetings that I have been in touch with Ministers urging the implementation of its recommendation. I think Commissioners are entitled to a full statement of the Government's position when they meet on 11 December (it is about seven months since the recommendation was made to the House). Naturally, I hope this will amount to an assurance that the action they have proposed will be taken at an early date, so that the remaining anomalies in the salary structure of the National Audit Office can be remedied.

I look forward to receiving your reply.

I am sending a copy of this letter to the Leader of the House.


Edward M. Cann

173 DEC 1984

12 1 2 3 4 5 6 7 8 9 10 11



Treasury Chambers, Parliament Street, SW1P 3AG
Rt Hon Edward du Cann MP
House of Commons
London
SW1A 0AA

20 December 1984

Edward du Cann

PUBLIC ACCOUNTS COMMISSION - SECOND REPORT

Thank you for your letters of 9 November and 13 December about the Commission's conclusion in their Second Report concerning the salary of the Comptroller and Auditor General (C & AG).

We have, of course, spoken about this on a number of occasions and you have also spoken to John Cope. I explained when we spoke that you have not yet had a formal reply because we wished to consider very carefully the points you made in your letters.

Although no announcement has been made I should say that the Top Salaries Review Body (TSRB), under the Chairmanship of Lord Plowden, is currently considering at the government's request whether there should be greater differentiation in pay for Permanent Secretaries. In these circumstances there must be considerable uncertainty surrounding Permanent Secretaries' pay for the future, and I think it would clearly be wrong now to reach a decision on any particular Civil Service salary with which the C & AG might be linked. I think we must wait for the TSRB's report, and the Government's decisions on it, before taking a view on the C & AG's salary. I know you are anxious to avoid delay in this matter but having given it a great deal of thought I think this is the right course of action.

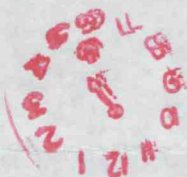
I am copying this letter to John Biffen and to John Cope.

Yours ever *Peter Rees*

PETER REES

45

7 + 45



21 DEC 1980



f. l. k.

10 DOWNING STREET

From the Principal Private Secretary

14 December 1984

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

The Prime Minister has seen the Chief Secretary's minute of 12 December. She confirms her view that it would be wrong to equate the salary of the C&AG in present circumstances with that of the Permanent Secretary to the Treasury. She is content with the approach proposed in the first half of paragraph 8 of the Chief Secretary's minute. But she would not be in favour of taking the further step in the last sentence of that paragraph. She thinks that it would be perfectly reasonable for Ministers to hold the position that they should wait for the report of the C&AG on Permanent Secretaries generally before taking a decision about the salary of the C&AG.

The Prime Minister has said that she would be willing to have a word about this personally with Mr. Du Cann. It will not be possible for her to do this before she leaves for China and therefore before Christmas. Please will you advise me on whether it would be helpful to arrange for the Prime Minister to see Mr. Du Cann.

I am copying this letter to David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and to Sir Robert Armstrong.

R.B.

Richard Broadbent, Esq.,
Chief Secretary's Office,
HM Treasury.



Ref. A084/3361

MR BUTLER

Salary of the Comptroller and Auditor General

— The Chief Secretary sent me a copy of his minute of 12 December to the Prime Minister. I shall have a chance of discussing this with the Prime Minister tomorrow morning.

2. The Prime Minister said in July that she did not think that it was right on merits to put the salary of the present C and AG on a par with the salary of the Secretary of the Cabinet and the salary of the Permanent Secretary, Treasury. Both the Permanent Secretary of the Treasury and I respectfully agree with that view.

3. I am not in favour of asking the TSRB to include the C and AG's salary in their review, because that could complicate the handling of the TSRB report when it comes out.

4. I favour the approach proposed in the first half of paragraph 8 of the Chief Secretary's minute. If Mr du Cann sought to impose conditions, I think that it would be perfectly reasonable for Ministers to say that it was really not possible to accept any conditions when it was so uncertain what the TSRB would recommend.

ROBERT ARMSTRONG

13 December 1984



10 DOWNING STREET

Prime Minister

The questions here are:-

i. Do you hold to your earlier view that the C + AG's salary should not be brought up to that of the Permanent Secretary, Treasury?

ii. If so, do you agree with the Chief Secretary on the tactics with Mr. Du Cann?

You may like to discuss with Sir Robert Armstrong: his comments are at flag B.

FERB

CONFIDENTIAL



FROM: CHIEF SECRETARY
DATE: 12 December 1984

PRIME MINISTER

**SALARY OF THE COMPTROLLER AND AUDITOR GENERAL
(C AND AG)**

FLAG ...
A
Edward du Cann has written to me (his letter of 29 November attached) again raising the recommendation of the Public Accounts Commission Second Report that the salary of the C and AG should be increased to the level of that of the Permanent Secretary to the Treasury and the Secretary to the Cabinet.

2 Edward last raised this question in July. He accepted then that the government was not going to table a resolution before the summer recess but he expected an opportunity to debate the matter in the autumn.

3 Both John Cope and I spoke to Edward this week. He is under pressure from the Commission to press the issue and he personally believes strongly in the merits of increasing the C and AG's salary. Differentials are under pressure and he is also looking ahead to a time when, by analogy with the recently appointed Head of the Government Accounting Service, they may want to attract an outside accountant to the post.

4 Nevertheless, when I spoke to Edward he agreed not to press for an immediate answer to his letter. We now have a little extra time to decide what reply we should give.

5 The salary of the C and AG is fixed by resolution of the House. Only the government can move the resolution. But there is no doubt that if we refused to move a resolution and so to allow a debate we would face strong criticism, not least from our own supporters. We would also face strong pressure if we moved a resolution which made no increase in the C and AG's salary.

CONFIDENTIAL

CONFIDENTIAL

6 These difficulties lead me to conclude that we should avoid giving Edward a direct rebuff based on the merits on his proposals.

7 One possibility would be to concede the salary increase. My views were set out in paragraph 2 of my minute of 19 July. They have not changed. Nor, I should add, have those of Peter Middleton.

8 If it is considered that we should continue to resist this change on merits, we must consider our tactics. One approach would be to tell Edward that the TSRB under Lord Plowden are looking at differentiated pay for all Permanent Secretaries and that it would be better to wait for their report before taking a decision about the salary of the C and AG. This approach may be worth trying. But at best it delays a decision and Edward might for example seek to impose conditions such as acceptance in principle that the C and AG's salary should be linked to the highest permanent secretary salary post - TSRB. If this were the case we could go one step further and offer to refer the salary of the C and AG to the TSRB but only when the government has announced its conclusions on the present exercise.

9 If this did not prove sufficient, the final step would be to suggest to Edward that the TSRB should include the C and AG's salary in its current review. This would provide a basis for a firm decision. But we could not guarantee Edward that we would implement whatever the TSRB recommended (not least because the TSRB's overall recommendations are likely to be difficult and will need careful handling). In the absence of such an assurance Edward may feel even this proposal not worth accepting.

CONFIDENTIAL

CONFIDENTIAL

10 None of the possible courses of action are free from difficulty. I think it would invite unnecessary trouble to turn Edward down directly. If we are not prepared to concede the principle of a higher salary for the C and AG, I propose we should first put to Edward the compromise proposal outlined in paragraph 8 above; and if necessary be prepared to suggest referring the salary of the C and AG to the TSRB as in paragraph 9 above.

11 I am copying this minute to John Biffen, John Cope and Sir Robert Armstrong.



for PETER REES

[Approved by the Chief Secretary]

CONFIDENTIAL

12 DOWNING STREET,
S.W.1.

With
The Private Secretary's
Compliments



NBPM

Government Chief Whip

12 Downing Street, London SW1

FROM THE PRIVATE SECRETARY

10 December 1984

PUBLIC ACCOUNTS COMMISSION SECOND REPORT

Thank you for your letter of 6 December.

Mr Cope saw Mr du Cann this afternoon and informed him of the general contents of the Chief Secretary's draft letter. As you know, the Chief Whip had also seen Mr du Cann before the Recess.

Following the meeting, Mr Cope received the attached letter which I discussed with you on the telephone. I suggested that the Chief Secretary might try to have a word with Mr Cope tonight. In view of the invitation to meet the Commission, Mr Cope believes it would be unwise to send a formal letter at this stage.

I am copying this letter to Robin Butler (No 10), David Morris (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

M MACLEAN

P Pegler Esq
Assistant Private Secretary to the
Chief Secretary
HM Treasury

From: the Rt. Hon. Edward du Cann, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

10th December

Ed du Cann.

I have given some thought to our discussion this afternoon.

It will be a profound disappointment if the Commission having made a serious recommendation find it completely blocked by the Treasury. It certainly will not pass without comment at the Commission's meeting tomorrow that the constructive work which we are attempting to do in the general interest (including the Treasury's interest) seems to meet with so little in the way of sympathetic response.

I think it would be best if the Chief Secretary comes to see the Commission at an early date when the subjects of this recommendation can be frankly discussed. May I leave it to you to put this proposal to him?

John Cope

John Cope, Esq., M.P.

DEC 1984

NOTE FOR THE FILEPAY OF THE C & AG

Mr Broadbent (Chief Secretary's Office) had a word with me about the attached papers. Mr Cope had spoken to Mr du Cann about the letter which the Chief Secretary proposes to send him. Mr du Cann made clear that he would strongly resist such a letter. Further, following a subsequent word between Mr Cope and Mr du Cann, Mr Cope thought that it would get Mr du Cann through the meeting on 11 December if the Chief Secretary were to say to him that the Treasury were carefully considering Mr du Cann's letter. Mr Broadbent said that the Chief Secretary would do this and then send a further minute to the Prime Minister on the substance.

I agreed with this course, subject to two points:

First, the Chief Secretary should not give Mr du Cann any impression that the Government was likely to agree to increase the C & AG's salary to the level of the Permanent Secretary to the Treasury.

Second, in putting a minute to the Prime Minister, the Chief Secretary should make clear whether Sir Peter Middleton was now content with the proposal that the C & AG's salary should be raised as proposed by Mr du Cann.

P.R.B.

F E R BUTLER

10 December 1984

Robin Butler Esq
10 Downing St



10 December 1984

Dear Robin

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

We discussed the attached papers.

Mr du Cann is probably within his rights to feel that the fining considerations discussed last summer need not necessarily apply now. That means facing the issue squarely on merits, on which the Chief Secretary minuted the Prime Minister on 19 July (and you recorded her views on 23 July). I should like to have another word before going back to Mr du Cann.

Yours

Richard Briers

CONFIDENTIAL



cc: PPS

Sir P Middleton

Mr Bailey

Mr Kemp

Mr Watson

Mr Rayner

Mr Corcoran

Mr S H Woodall

Treasury Chambers, Parliament Street, SW1P 3AG

M MacLean Esq
 Chief Whip's Office
 12 Downing Street
 London
 SW1

6 December 1984

Dear Mr Mac,

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

I recently sent you a copy of Mr Du Cann's letter of 29 November to the Chief Secretary about the Public Accounts Commission's recommendation that the Comptroller and Auditor General's salary should be increased to the level of that of the Permanent Secretary to the Treasury. We have also discussed this on the telephone.

You kindly agreed that your Office would arrange for someone to speak to Mr Du Cann since you understood that when the Chief Whip discussed the matter with him - following Robin Butler's letter of 23 July - Mr Du Cann agreed not to press for a formal reply to the Commission's recommendation. If, as a result of these further discussions, Mr Du Cann wishes - in effect - to withdraw his recent letter then no further action appears necessary.

However, notwithstanding his earlier discussion with the Chief Whip, if Mr Du Cann expects a formal reply to his letter before the Commission considers the question again at their meeting on 11 December I think we must be prepared to send one in order to protect the Government's position. I therefore enclose a draft reply which the Chief Secretary will send if this proves necessary and I would be grateful for any comments you may have.

I am copying this letter to Robin Butler (No.10), David Morris (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

Yours Sincerely
P. Pegler

P. PEGLER

Assistant Private Secretary

CONFIDENTIAL

DRAFT LETTER TO:

Rt Hon Edward Du Cann MP
Chairman
Public Accounts Commission
Committee Office
House of Commons
LONDON SW1A 0AA

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

Thank you for your letter of 29 November.

2. I apologize for the delay in responding to the Commission's conclusion in their Second Report concerning the salary of the Comptroller & Auditor General (C&AG). I understand that not only have we discussed this conclusion but you have also spoken to John Wakeham about it.

3. I am afraid that the conclusion causes us some difficulty. As you know, Section 1 of the Exchequer & Audit Department's Act 1957 (as amended by Section 6 of the Parliamentary and Other Pensions and Salaries Act 1976) requires that the salary of the C&AG must be aligned with a specific appointment in the Civil Service. Therefore, as far as the Government is concerned, any proposal to increase the C&AG's salary should be taken on the grading of his post in comparison with a corresponding grade in the Civil Service.

4. In paragraph 21 of your report, you say that the provisions of the National Audit Act 1983 "laid additional

responsibilities on the C&AG and enhanced his role on behalf of Parliament". While I accept that the 1983 Act changed the status of the C&AG I do not believe that the present grading is inappropriate, or that the workload and responsibility have changed in such a way that would justify a higher grading. Therefore we do not consider that it would be right on merits to bring the C&AG's salary in line with that of the Secretary to the Cabinet and the Permanent Secretary to the Treasury.

5. I do, of course, accept that leaving the C&AG's salary unchanged will lead to some compression of pay differentials at the top of the Office. However, as the Treasury Memorandum (submitted to the Commission in March of this year) made clear, we do not consider that this should lead to significant problems. We believe that it should be possible to introduce merit pay for the Assistant Auditors General together with a reasonable differential in respect of the Deputy C&AG within the headroom allowed by the C&AG's present salary of £45,500.

6. I am sorry to have to send what must be a disappointing reply.

7. I am copying this letter to John Biffen.

From Rt Hon Edward Du Cann, Chairman



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

01-219 (Direct Line)
01-219 3000 (Switchboard)

PUBLIC ACCOUNTS COMMISSION

30 NOV 1984
Mr. Rayner
PPS, Mr. Bailey
Sir Peter Middleton
Mr. Kemp, Mr. Wake
Mr. Carter, Mr. Woodall

29 November 1984

Rt Hon Peter Rees MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

Mr. du Cann

As you know, the Public Accounts Commission made a Report to the House in May in which it recommended that steps should be taken to increase the salary of the Comptroller and Auditor General to the level of that of the Permanent Secretary to the Treasury. The Commission regarded this as an essential part of a package of proposals on salaries for professional staff of the National Audit Office, to be introduced on 1 October 1984. We have of course, discussed this together.

The new performance-related salary structure is now in operation for all staff below the rank of Assistant Auditor General. But the effect of this has been to compress even more the levels of salaries at the top of the National Audit Office. This is clearly undesirable.

The Commission is to meet on 11 December to examine the Draft Estimate for the National Audit Office for 1985-86. Commissioners will have in front of them a Report from the PAC which I have not seen but which I have reason to believe will urge upon them the need for early progress to alleviate the top salaries problem.

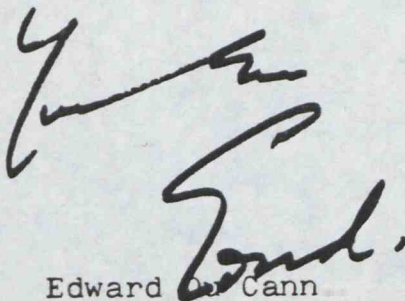
The only available mechanism for adjusting the level of the C&AG's salary is that laid down in the Exchequer and Audit Act 1957 as amended by the Parliamentary and Other Pensions Act 1976. This involves the passing of an appropriate motion by the House of Commons, which has to be placed on the Order Paper by a Minister of the Crown.

cont

I have informed the Commission at previous meetings that I have been in touch with Ministers urging the implementation of its recommendation. I think Commissioners are entitled to a full statement of the Government's position when they meet on 11 December (it is about seven months since the recommendation was made to the House). Naturally, I hope this will amount to an assurance that the action they have proposed will be taken at an early date, so that the remaining anomalies in the salary structure of the National Audit Office can be remedied.

I look forward to receiving your reply.

I am sending a copy of this letter to the Leader of the House.

A handwritten signature in dark ink, appearing to read 'Edward M. Cann', is written over the printed name. The signature is stylized with a large initial 'E' and a long horizontal stroke.

Edward M. Cann

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

M MacLean Esq
Chief Whip's Office
12 Downing Street
London
SW1

6 December 1984

Dear Mr Mac,

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

I recently sent you a copy of Mr Du Cann's letter of 29 November to the Chief Secretary about the Public Accounts Commission's recommendation that the Comptroller and Auditor General's salary should be increased to the level of that of the Permanent Secretary to the Treasury. We have also discussed this on the telephone.

attached You kindly agreed that your Office would arrange for someone to speak to Mr Du Cann since you understood that when the Chief Whip discussed the matter with him - following Robin Butler's letter of 23 July - Mr Du Cann agreed not to press for a formal reply to the Commission's recommendation. If, as a result of these further discussions, Mr Du Cann wishes - in effect - to withdraw his recent letter then no further action appears necessary.

However, notwithstanding his earlier discussion with the Chief Whip, if Mr Du Cann expects a formal reply to his letter before the Commission considers the question again at their meeting on 11 December I think we must be prepared to send one in order to protect the Government's position. I therefore enclose a draft reply which the Chief Secretary will send if this proves necessary and I would be grateful for any comments you may have.

I am copying this letter to Robin Butler (No.10), David Morris (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

Yours Sincerely
P Pegler

P PEGLER

Assistant Private Secretary

CONFIDENTIAL

DRAFT LETTER TO:

Rt Hon Edward Du Cann MP
Chairman
Public Accounts Commission
Committee Office
House of Commons
LONDON SW1A 0AA

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

Thank you for your letter of 29 November.

2. I apologize for the delay in responding to the Commission's conclusion in their Second Report concerning the salary of the Comptroller & Auditor General (C&AG). [I understand that] not only have we discussed this conclusion but you have also spoken to John Wakeham about it.

3. I am afraid that the conclusion causes us some difficulty. As you know, Section 1 of the Exchequer & Audit Department's Act 1957 (as amended by Section 6 of the Parliamentary and Other Pensions and Salaries Act 1976) requires that the salary of the C&AG must be aligned with a specific appointment in the Civil Service. Therefore, as far as the Government is concerned, any proposal to increase the C&AG's salary should be taken on the grading of his post in comparison with a corresponding grade in the Civil Service.

4. In paragraph 21 of your report, you say that the provisions of the National Audit Act 1983 "laid additional

responsibilities on the C&AG and enhanced his role on behalf of Parliament". While I accept that the 1983 Act changed the status of the C&AG I do not believe that the present grading is inappropriate, or that the workload and responsibility have changed in such a way that would justify a higher grading. Therefore we do not consider that it would be right on merits to bring the C&AG's salary in line with that of the Secretary to the Cabinet and the Permanent Secretary to the Treasury.

5. I do, of course, accept that leaving the C&AG's salary unchanged will lead to some compression of pay differentials at the top of the Office. However, as the Treasury Memorandum (submitted to the Commission in March of this year) made clear, we do not consider that this should lead to significant problems. We believe that it should be possible to introduce merit pay for the Assistant Auditors General together with a reasonable differential in respect of the Deputy C&AG within the headroom allowed by the C&AG's present salary of £45,500.

6. I am sorry to have to send what must be a disappointing reply.

7. I am copying this letter to John Biffen.

17 DEC 1964

11 12 1 2 3 4
5 6 7 8 9 10



1. PEG/PEB to see
2. NARM
BT 12/14

Treasury Chambers, Parliament Street, SW1P 3AG

M Maclean Esq
Chief Whip's Office
12 Downing Street
London
SW1

12 November 1984

Dear Murdo,

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

I have spoken to you and your colleagues on a number of occasions about the conclusions of this Report on the salary of the Comptroller and Auditor General.

2 As you are aware, Robin Butler's letter of 23 July recorded the Prime Minister's view that it was not right on merits to increase the salary of the present C & AG, as recommended in the Report, and therefore no resolution has been put down. Robin Butler's letter also referred to a debate which your office were arranging after the Recess to discuss the Report, at which Mr du Cann would be able to raise the question of the C & AG's salary.

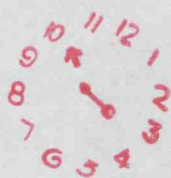
3 In your letter of 25 July you said that the Chief Whip had discussed the matter with Mr du Cann. Since no debate appears to have been arranged, I should therefore be grateful if you would let me know whether Mr du Cann no longer wishes to have a debate on the Report or whether one is to be arranged at some future date?

4 I am copying this letter to Robin Butler (No. 10) David Morris (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely,
Paul Pegler
PAUL PEGLER
Assistant Private
Secretary

Govt. Mach. PT3
Review of Exchequer & Audit

12 NOV 1984





Government Chief Whip

12 Downing Street, London SW1

CONFIDENTIAL

1, Mr Butler
2, Prime Minister

2

JD

27/7

25 July 1984

mt

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

The Chief Whip has seen a copy of the Chief Secretary's minute of 19th July and a copy of Robin Butler's letter to you of 23 July about the salary of the Comptroller and Auditor General.

The Chief Whip has now discussed this matter with Mr du Cann, who accepts that the Government will not put down any motion before the Autumn.

But we
will not.
FERB

Mr du Cann is of the view, however, that the Government should table an appropriate motion at that time.

I am sending copies of this letter to Robin Butler (Prime Minister's Office), David Peretz (Treasury), David Morris (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

MURDO MACLEAN

John Gieve Esq
H M Treasury
Parliament Street

GNT MURDA : C-2 AB-

P43

27 JUL 1984



CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

23 July, 1984.

Public Accounts Commission: Second Report

The Prime Minister has seen the Chief Secretary's minute of 19 July about the conclusions of this report on the salary of the Comptroller and Auditor General.

The Prime Minister does not think that it is right on merits to put the salary of the present C&AG on a par with the salary of the Secretary to the Cabinet and the Permanent Secretary to the Treasury. She also thinks that it would be a mistake for a resolution on this matter to be debated between now and the Recess. She understands that the Chairman of the Public Accounts Commission wants a debate on the report, and that the Business Managers are planning to arrange such a debate on the first Friday of the overspill. She concludes therefore that the Government should not put down a resolution before the Recess, but Mr. du Cann should be told that there will be an opportunity to discuss the question of the C&AG's salary in the debate which the Business Managers are arranging.

I am sending copies of this letter to David Peretz (HM Treasury), David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office), and Richard Hatfield (Cabinet Office).

E.E.R. BUTLER

John Gieve, Esq.,
HM Treasury.

CONFIDENTIAL

E.B.
PRIME MINISTER

1215 HRS MEETING WITH THE LORD PRESIDENT AND OTHER COLLEAGUES :

MONDAY, 23 JULY

You may like to discuss which Minister should wind-up the
Opposition debate on Tuesday, 31 July.

The natural choice would be the Chancellor. Alternatives
would be Mr. Tebbit or Mr. King, but the choice of either of those
might give the impression that the Chancellor had been pushed aside.
I have also suggested that you should mention to colleagues the
issue about the C & AG's salary (papers below).

FERS
...

20 July, 1984

PRIME MINISTERC&AG's Salary

The Treasury tell us that there are mixed feelings in the Treasury about the recommendation in the Chief Secretary's minute (attached) that a resolution should be laid before the House to link the C&AG's salary to that of the Permanent Secretary to the Treasury.

1. *de* Sir Peter Middleton does not believe that on merits such an increase in the C&AG's salary is justified. The Chancellor is not so bothered about the substance, but strongly takes the view on timing that it would be a mistake to put this forward before the recess while Civil Service pay is under negotiation and the miners' dispute is on.

I suggest that you should raise this with the Lord Privy Seal and the Chief Whip at the 1215 meeting on Monday.

F.R.B.

20 July 1984

CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 19 July 1984

PRIME MINISTER

W

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

One conclusion of this Report affects the Government. It is that the Government should lay a resolution before the House to change the link for the Comptroller and Auditor General's (C&AG's) salary from Permanent Secretary to Permanent Secretary to the Treasury; from 1 November 1984 this means he receives £51,250 as against £45,500.

I do not accept that the C&AG has as burdensome a post as the Cabinet Secretary or the Permanent Secretary to the Treasury. So viewed simply as a question of grading, the case for change is weak. But we have to recognise that many members of the House attach considerable importance to the C&AG's status as a counterweight to the Executive, and would see a refusal by the Government as undermining this. Further, in the absence of a Government resolution, the Commission will undoubtedly find other, and more controversial, ways of airing the issue.

I therefore propose we accept this conclusion and tell Edward Du Cann accordingly.

On timing, the Commission are anxious for the resolution to be put down, and debated if necessary, before the Recess. The Lord Privy Seal, who as a member of the Commission will doubtless wish to handle any debate, is aware of this, as are the Whips. Given the delicate state of the civil service pay negotiations, it would clearly be better to avoid a debate before the Recess. But there is no doubt that such delay would cause serious difficulties with the Commission.

CONFIDENTIAL

CONFIDENTIAL

I am copying this minute to the Chancellor, the Lord Privy Seal, the Chief Whip, and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'PR' or 'P. Rees', located to the right of the main text.

PETER REES

CONFIDENTIAL

Covering: CONFIDENTIAL

FROM: P RAYNER
DATE: 18 July 1984

CHIEF SECRETARY

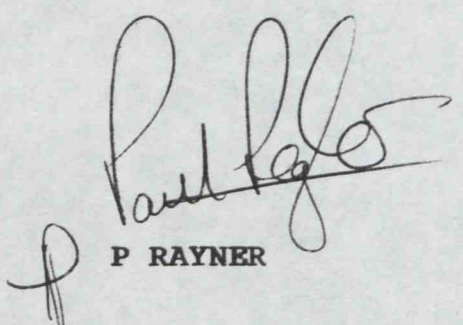
cc

Chancellor
Sir P Middleton
Mr Bailey
Mr Kemp
Mr Watson
Mr Carter

PUBLIC ACCOUNTS COMMISSION: SECOND REPORT

We understand from the Clerk to the Commission that Mr Du Cann wants the resolution down next week. Your office are in touch with the Lord Privy Seal's and Chief Whip's Office.

2. Meanwhile I attach a draft minute to the Prime Minister reflecting your decision.


P RAYNER



Treasury Chambers, Parliament Street, SW1P 3AG

Sir Robert Armstrong GCB, CVO
Secretary of the Cabinet and
Head of the Home Civil Service
Cabinet Office
Whitehall
LONDON
SW1A 2AS

3 May 1984

Dear Sir Robert

You sent David Peretz a copy of your letter of 11 April to David Heyhoe about whether the C&AG should be given access to the CPRS Report on "Unemployment and Young People". We have since seen Charles Marshall's response.

The Chief Secretary is also disinclined to make this report available to the C&AG for the purpose of the study he is undertaking. It is a document about the formation of policy and not one which can reasonably be required for an enquiry about the past use of resources as specified in s.6(1) of the National Audit Act.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Lord Privy Seal, the Secretary of State for Employment and the Chief Whip.

Yours sincerely

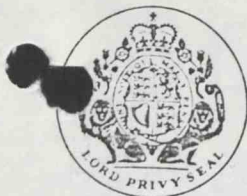
Tr. Gieve

JOHN GIEVE
Private Secretary

Gov MAEM. Role of the
C + ACT: PL 3.



3 - MAY 1984



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 April 1984

Dear Sir Robert,

Thank you for your letter of 11 April 1984 to David Heyhoe about the request from the Comptroller and Auditor General that he be given access to a confidential CPRS report on "Unemployment and Young People".

The Lord Privy Seal agrees that this report should not be made available to the CAG. His understanding is that it was never intended that the National Audit Act 1983 should alter the audit-based nature of the CAG's inquiries. If this document were disclosed, it would seem to give the CAG a right to access to all confidential advice to Ministers, and therefore to imply that the Government accepted a significant widening of the CAG's investigations.

The Lord Privy Seal feels that there is some possibility of the CAG contesting a refusal to make the report available, and reporting the facts of the matter to the Public Accounts Committee. The grounds for refusal are, therefore, particularly important. In the Lord Privy Seal's view, it would be dangerous to rely too heavily on the fact that the report in question is not in the custody or under the control of any of the Departments which are the subject of the study, in that even if it were, the Government would still be unwilling to grant access because of the nature of the document itself. He believes, therefore, that the primary emphasis in the explanation of the Government's refusal should be placed on the fact that the document was concerned primarily with general policy formulation in the field of youth unemployment, and as such is not regarded as being reasonably required for the purposes of an inquiry carried out under the terms of Section 6 of the National Audit Act.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment and the Chief Whip.

Yours sincerely
Charles Marshall

C M J MARSHALL
Private Secretary

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet and
Head of the Home Civil Service

Goot Maer. p 3
Review of Ex. Audit



24 APR 1984



NBPM

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/1146

11 April 1984

Dear David,

The Comptroller and Auditor General (CAG) has asked to be allowed to see a confidential report by the Central Policy Review Staff submitted to Ministers in 1981 on "Unemployment and Young People". The CAG wishes to see the report in connection with an "economy, efficiency and effectiveness" (EEE) study of vocational training for the young, covering the Departments of Education and Science and of Employment and the Manpower Services Commission.

The CPRS report was confidential advice to Ministers, and thus a kind of document which we should have refused, and indeed did refuse, to make available to departmental Select Committees.

The CAG has a right of access to all such documents as he may reasonably require for carrying out an EEE study, if those documents are in the custody or under the control of the Department, authority or body to which the study relates. The CPRS report is not in the custody or under the control of any of the Departments which are the subject of study. It would seem therefore to be a document to which the CAG does not have the right of access.

The main purpose of the CPRS report was to set out for Ministerial consideration a set of policy options in the area of youth unemployment, within the context of a number of different policy objectives. It was thus a document concerned primarily with policy formulation, and not (save incidentally) with the effectiveness of existing policy instruments.

We are therefore minded not to give, and to advise the Department of Employment not to give, the CAG access to the CPRS report, on the grounds that:

/1.

D C R Heyhoe Esq

1. it is a document to which the CAG has no right of access;
2. it is a document primarily concerned with the formulation of policy by Ministers and therefore of a kind to which the CAG does not generally have access;
3. it is in any case largely irrelevant to the purposes of the study.

Before we proceed accordingly, I should be grateful if you could let me know whether the Lord Privy Seal is content that we should do so.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment and the Chief Whip.

Yours ever

Robert Armstrong



Ref. A083/0714

PRIME MINISTER

Cabinet: Parliamentary Control of Expenditure (Reform) Bill

BACKGROUND

The Government's opposition to the Parliamentary Control of Expenditure (Reform) Bill centres on clauses 2 and 4, which respectively permit the Comptroller and Auditor General to investigate nationalised industries, other public corporations and companies more than 50 per cent of whose voting shares are publicly owned; and other bodies "mainly supported directly or indirectly" from voted money or loans from the National Loans Fund. However, as reported in the Chancellor of the Exchequer's minute of 9 February, the Ministerial Group on Parliamentary Control of Expenditure (MISC 92) has instructed officials to study arrangements to give Parliament an enhanced role in this area as the basis of a possible compromise with the Bill's sponsors at Report Stage.

Flag A-

Flag B-

2. In his minute of 1 March the Chancellor reports that the Bill's sponsors, in particular Mr St John-Stevas and Mr Du Cann, are now anxious to reach a compromise on clauses 2 and 4. He proposes that the Chief Secretary, Treasury should attempt urgently to reach agreement with the Bill's sponsors to amend the Bill in Committee on the following lines:

- i. Clauses 2 and 4 would be dropped.
- ii. Ministers would be required to consult Parliament about the programme of references of nationalised industries to the Monopolies and Mergers Commission (MMC) under Section 11 of the Competition Act 1980; and Parliament would be involved in the follow up to such reports, perhaps with MMC reports serving as the basis for Parliamentary examination of nationalised industries and sponsor Ministers.



- iii. There would be new arrangements under which the industries' auditors would carry out value for money (VFM) audit; their reports (to sponsor Ministers) could serve as a basis for an examination by Parliament; and the Public Accounts Committee (PAC) might be consulted about which area of an industry should be subject to VFM audit.

Flag C - 3. The Chancellor says that Mr St John-Stevas and Mr Du Cann seem likely to settle for a compromise on these lines, which, without commitment, the Chief Secretary, Treasury has already discussed with them. Mr Sparrow has supported these proposals, subject to some points on tactics and some comments of detail on the substance, in his minute to you of 2 March, which has been copied to the Cabinet.

4. I understand, however, that the changes proposed would not be acceptable to Mr Joel Barnett, the Chairman of the PAC; and that they would also be opposed (from the other side) by the Chairmen of the nationalised industries.

MAIN ISSUES

5. The main issues for discussion are:
- i. tactics;
 - ii. the substance of the Chancellor's suggested compromise proposals for nationalised industries;
 - iii. the implications for other corporations and companies caught by clauses 2 and 4.

Tactics

6. MISC 92 took the view that the best outcome would be for the Bill to pass into law in a suitably amended form rather than to fall in circumstances which could be blamed on the Government. I am not sure how far this view would be endorsed by other Ministers. If that is the general view, the Cabinet needs now to decide whether there is a better chance of securing an acceptable outcome by trying to compromise on clauses 2 and 4 now or leaving it to Report.



7. The main arguments for trying to agree a compromise now are as follows:

- i. In the Chancellor's judgment, there is a significant chance of getting early agreement with the Bill's sponsors.
- ii. A compromise at this stage will do more for the Government's reputation in Parliament and the country than opposition in Committee and an attempt to force a compromise at Report.
- iii. It may be technically awkward to get satisfactory amendments tabled and accepted at Report Stage.

8. The main arguments for holding to the earlier tactics of delaying compromise until Report are:

- iv. There is little time to define precisely the amendments necessary. Committee Stage has already started; clauses 2 and 4 are likely to be reached in 10 days' to two weeks' time.
- v. It may well be impossible to find a satisfactory compromise at this stage. Particularly if Mr Barnett is unwilling to agree, will there be a majority for compromise in Committee?
- vi. If the Government seek compromise on these lines and the nationalised industry Chairmen are against them, the Government will be seen by the Chairmen as lining up with the sponsors of the Bill and letting the Chairmen down. This is not a very attractive posture for the Government to be in, particularly if the compromise is unlikely to be acceptable to all the Bill's sponsors.

9. It looks as if divisions are beginning to appear in the ranks of the Bill's sponsors. Mr St John-Stevas (and perhaps Mr Du Cann) may be less confident than they were of carrying the Bill against the Government's opposition, as backbench support for the Bill crumbles, and may therefore be keen to save face by getting some



sort of Bill, at the cost of any sort of compromise, rather than risk losing it entirely. Their tactical objective may therefore be to hook the Government into supporting the Bill, and pay whatever price is required to do that.

10. This suggests that, unless the Cabinet is feeling more friendly than it was in principle, the right tactic for the Government is not to compromise now, but to continue to "rubbish" the Bill in Committee and to undermine support for the Bill, and thus improve the prospects of killing it at a later stage.

11. If the Cabinet decides to authorise the Chancellor to proceed with his proposals, some Ministers may still express concern about the details of what is proposed. You will want to avoid detailed discussions in Cabinet.

12. If a compromise is to be attempted in Committee, urgent work will need to be done within the next few days both on the precise details of the arrangements for nationalised industries on what sort of compromise might be possible for publicly owned or supported companies. It would be for the Treasury Ministers to arrange for this work to be carried out, consulting MISC 92 as necessary.

HANDLING

13. The Chancellor of the Exchequer will want to introduce his proposals; the Chief Secretary, Treasury may wish to report in more detail on his discussions with the Bill's sponsors. You will want to learn the views of the Secretaries of State for Scotland, Industry, Transport and Energy (the main nationalised industry sponsor Ministers) and the Secretary of State for Trade (who is also responsible for the MMC and for company law) on the merits of suggested compromise; and, on the tactics, the views of the Lord President, the Chancellor of the Duchy of Lancaster and the Chief Whip.

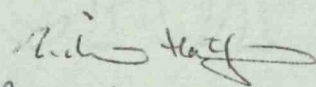


CONCLUSIONS

14. You will want the Cabinet to decide the following questions:

- i. Should the Government attempt to reach a compromise on clauses 2 and 4 of the Parliamentary Control of Expenditure (Reform) Bill in Committee, as the Chancellor of the Exchequer proposes; or should Ministers oppose those clauses in Committee and leave consideration of any possibility of compromise until Report stage?
- ii. If the decision is to seek a compromise at this stage, are the Chancellor of the Exchequer's compromise proposals for the nationalised industries broadly satisfactory? If not, how should they be modified?
- iii. What negotiating position should Treasury Ministers adopt so far as publicly owned or supported companies are concerned?

15. If the Cabinet decide that a compromise should be sought in Committee, you will want to invite Treasury Ministers to arrange for consequential detailed work on its precise terms to be carried out urgently.


Approved by
ROBERT ARMSTRONG
and signed in his absence.

2 March 1983



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing St
London SW1

2 March 1983

Dear Michael,

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL - NATIONALISED
INDUSTRIES AND PUBLICLY-OWNED COMPANIES

My Secretary of State has seen a copy of the Chancellor of the Exchequer's minute of 1 March to the Prime Minister. He has asked me to say that he thinks a discussion at Cabinet tomorrow would be useful, before further negotiations with the Bill's sponsors.

I am copying this letter to the private secretaries to members of Cabinet, Murdo Maclean and Richard Hatfield.

Yours ever,

J D WEST
Private Secretary

CONFIDENTIAL

Prime Minister

ms 2/3

Qa 06282

To: PRIME MINISTER

2 March 1983

From: JOHN SPARROW

Parliamentary Control of Expenditure (Reform) Bill -
Nationalised Industries and Publicly-Owned or Supported Companies

1. I have seen Geoffrey Howe's minute to you dated 1 March 1983 ^{altered} setting out possible compromise proposals on certain aspects of this Bill. Subject to the following three comments I would support them.
2. First: it would be bad tactics for Government to do a deal with the promoters of the Bill without first being sure that it can carry the nationalised industry chairmen.
3. Secondly: I do not see how Government can afford to give further ground without damage to the principle of a clear chain of accountability. So the negotiating tactics must be such as to avoid making any formal written proposals to the promoters until we know that they will be accepted. Geoffrey Howe's point about the "more extreme supporters" is relevant here. This suggests showing Edward Du Cann and Norman St John Stevas only a draft first.
4. Thirdly: the substance of the proposals is broadly consistent with the important principle that it is only Ministers (and not nationalised industry boards) who are directly accountable to Parliament for the efficient operations of nationalised industries. But the proposals for the new value for money auditing arrangements need two small changes to reinforce this :-

CONFIDENTIAL

CONFIDENTIAL

(a) The auditors are and should remain accountable to the Minister. Any general or detailed Parliamentary requirements for the audits therefore should be communicated through the Minister

(b) The auditors should submit their report to the Minister and he should always publish it (for example when the industry's annual report and accounts are published). The supporting confidential detail will go to the Minister and will be on his Department's files. The C & AG will thus have access to it in his normal scrutiny of the performance of sponsor Departments.

5. Geoffrey Howe raises the question of publicly-owned or supported companies. As they are not monopoly industries, extending MMC coverage beyond the state corporations would be incompatible with the Government's present intentions for such references. Extending statutory auditors' responsibilities into VFM work would be a better approach, providing the position of minority shareholders can be suitably protected, particularly where shares are listed on a Stock Exchange. Perhaps the preferred course would be to give powers to the Minister to commission regular VFM audits where this was feasible.

6. I am sending copies of this minute to the Chancellor, other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

B

*Prime Minister**Mus 2/3*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

**PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL -
NATIONALISED INDUSTRIES & PUBLICLY-OWNED OR SUPPORTED
COMPANIES**

At its last meeting MISC 92 agreed that the Government should try to vote down Clauses 2 and 4 of the Bill during the Committee Stage and only seek to secure an acceptable compromise at Report Stage. Treasury officials have, as agreed, been working on the form of possible compromises.

2. Recent contacts with the Bill's sponsors suggest that they are now much less confident of securing their original objectives; and, while they are anxious to secure some concessions in the direction of greater Parliamentary involvement over the nationalised industries and publicly-owned or supported companies, are prepared to come most of the way to meet our concerns. Norman St. John Stevas and Edward Du Cann in particular are anxious to resolve their disagreement with the Government quickly, as they showed when they met Leon Brittan and Norman Lamont yesterday. At that meeting Leon and Norman took the opportunity of exploring, without commitment on either side, the outline of a possible compromise which is described below. Both Stevas and Du Cann seemed prepared to settle for something on these lines.

3. The compromise proposal is as follows. The Bill's sponsors would drop the proposals to give the C&AG and E&AD direct access to nationalised industries and publicly-owned companies; and Clause 4 of the Bill (which follows Government funding into private sector companies) would also be dropped. The main instrument for conducting efficiency studies would continue (as at present) to be the Monopolies & Mergers Commission. As already offered to the Bill's sponsors, Parliament (in practice with the PAC in the lead although other Select Committees might also be involved) would be consulted before the programme of



nationalised industry references was agreed and announced. Parliament would also be involved more closely in the follow-up. This has not been discussed in detail with Stevas and Du Cann; but one can readily envisage that MMC reports, which are already presented to Parliament, could together with the industries' response provide the basis for either the PAC or the relevant Select Committee to question the sponsor Minister and the industry Chairman on its findings. The PAC could return to the report later to consider what action had been taken to remedy defects; and they might play a useful part in suggesting those areas where a follow-up study by the MMC, say midway in the existing 4-year cycle, would be helpful.

4. In addition to the MMC, the role of the commercial auditors for these bodies would be extended into the area of value for money (VFM) audit; and the auditors would be expected to report annually to the sponsor Minister on their work in this area. A copy of their report would also go to the C&AG, the PAC Chairman and the Chairman of the relevant departmental Select Committee. One possibility would be for the auditors to be made responsible for deciding which area of the industry was to be investigated, but required to consult the Board itself, the sponsor Minister and the PAC before making this decision. The report would provide a basis for Parliament to examine the sponsor Minister and industry Chairman, and Parliament would again have to decide which Parliamentary Committee (PAC or departmental Select Committee) could best do this.

5. The question of how to deal with publicly-owned or supported companies, and other public corporations, was not explored with the sponsors. These bodies are not subject to regular MMC references like the nationalised industries, and to include them would mean a large increase in the MMC's work-load. We might aim to leave these companies etc. on one side for the time being, while the procedure for VFM audit of the nationalised industries is worked out. Their auditors could be encouraged to develop VFM work on a non-statutory basis. But clearly this would not be very attractive to the Bill's sponsors, and it needs to be considered further.



6. These proposals, which are consistent with our present relations with the nationalised industries and which avoid the dangers in the present Clauses 2 and 4, are of course very much on the lines proposed by Patrick Jenkin, Nigel Lawson and John Sparrow in earlier correspondence; and I regard it as very encouraging that Stevas and Du Cann seem so interested in them. There is an opening here that I believe we can exploit if we move quickly. The Chief Secretary and I should therefore like your agreement, and that of Cabinet colleagues, to the Chief Secretary's continuing discussions now on the basis of this package, rather than waiting until Report Stage, as we had previously planned. If we can secure early agreement on this basis we shall stand in a much better light in relation to our supporters in Parliament and in the country vis a vis the Bill. If, contrary to expectation, we fail to secure agreement, the main options at Report Stage are still open to us.

7. The reason for moving fast is that Stevas and Du Cann are likely to be under considerable pressure from their more extreme supporters. What is envisaged is certainly a change in the present practice, but as compared with the principle of the Bill as previously enunciated it amounts to a climb-down. We are much more likely to secure this if Stevas and Du Cann at least know that a settlement on these lines would be supported by the Government.

8. The Bill would of course still remain a Private Members' Bill and it would be entirely up to the sponsors to get it through Parliament.

9. If you, or any of our other colleagues, have doubts about this package, we could perhaps discuss it in Cabinet on 3 March.

10. Copies of this minute go to Cabinet colleagues, to the Chief Whip, and to Sir Robert Armstrong.

(G.H.)

1st March 1983



Gen Mac
21e Art

10 DOWNING STREET

From the Principal Private Secretary

SENIOR STAFF IN CONFIDENCE

SIR ROBERT ARMSTRONG

The Prime Minister has considered your minute of 22 February (A083/0619) about the post of head of the Government Accountancy Service and has agreed that you should proceed as proposed in it.

F.R.B.

24 February 1983

Copy in App's.

AA

Do you agree that:-

Yes.

i. Mr. Sharp's appointment should not be renewed after this October?

ii. The post should be transferred to the Treasury and report to the Deputy Secretary on the public expenditure?

iii. Sir R. Armstrong and Sir D. Ware should explain the new arrangements to the Presidents of the Accountancy Institutes and invite their help in finding someone to succeed for the post?

iv. We should reimburse the secondees' firm at the civil service rate, asking the firm itself to make up his salary to its proper level?

Ref. A083/0619

MR BUTLER

In my minute of 15 November 1982 (Ref. A082/0083) I sent you an interim report on the proposal to downgrade the post of Head of the Government Accountancy Service and transfer it to the Treasury when Mr Sharp's appointment expires in October 1983.

FRS
23.2.

2. I have now discussed this matter with the Permanent Secretary to the Treasury and the Permanent Under Secretaries of State at the Ministry of Defence, the Department of Industry and the Department of Trade.

3. All of us are agreed that, though Mr Sharp has made a useful contribution to the introduction of the functional specialism of accounting in Government Departments, his appointment has not been as successful as had been hoped. He has not been able to make a really significant impact in other aspects of his duties, and has not made the wider contribution within the Department of Industry that would be expected from a Second Permanent Secretary.

4. Our discussions have confirmed the view that we should not extend Mr Sharp's appointment, when it expires in October 1983; and that the position of Head of the Government Accountancy Service should be relocated in the Treasury; and that, as was agreed in 1981 when the future of the post was last referred to the Prime Minister, it should, in formal terms, be downgraded from the present level.

5. I have now agreed a job specification for the new post concerned; I attach it herewith.

6. The original proposal was to downgrade the post to Under Secretary. In terms of reporting lines in respect of the duties of the post within the Treasury, that would still be about right, since it is envisaged that the holder of the post will report on those matters to the Deputy Secretary (Public Services). But we are all apprehensive that, against the background of the Financial Management Initiative, a formal downgrading from Second Permanent Secretary to Under Secretary might send the wrong message to the accountancy profession and to the wider public about the importance which the Government attaches to the contribution which professional

Copy in App's.



accountants can make to the work of the Government and to the improvements of efficiency and financial management of Government Departments.

7. We propose to escape from this dilemma by not attaching any formal grading to the new post but simply describing its responsibilities and reporting lines. This is the easier because we should all like to see the post filled by the secondment of a senior member of a major firm of accountants with appropriate qualifications and experience.

8. If the Prime Minister agrees that we should proceed as we suggest, I propose to proceed as follows:

(1) I will tell Mr Sharp that his contract is not to be renewed when it expires in October 1983; and I will give him a general indication of the changes that are proposed to be made.

(2) I will invite the presidents of the accountancy institutes to come in to meet Sir Douglas Wass and me, so that we can tell them what is proposed, emphasise that this does not imply any diminution in the importance which the Government attaches to the contribution which professional accountants can make to the work of the Government, and ask for their help in securing the services of a suitable accountant on secondment.

9. There will be a financial aspect to the terms of the secondment on which I should be grateful for the Prime Minister's ruling. If we were filling the post by the appointment of an existing civil servant, we should do so at a point between Deputy and Under Secretary (to be precise, Unified Intermediate Pay Point (Lower)) and the salary attached to the post would be £27,015 plus £1,220 London Weighting. A senior member of a major firm of accountants with the qualifications and experience which we shall be seeking is likely to be receiving much more than that; to get the right person at his outside salary the Treasury might have to pay as much as £70,000 to £80,000. That would be an unprecedentedly high figure. The Prime Minister was not prepared to pay more than £50,000 to the Chief of the Property Services Agency when he was brought in from



outside; and she will remember that the Head of the CPRS is remunerated on the basis that his main employer is responsible for paying his salary and other remuneration and the Government reimburses the employer to the extent of the salary and pension contribution appropriate for a Permanent Secretary. We shall not get an accountant of the calibre we need for £50,000, so I think that it is in effect a choice between reimbursing the full cost of his remuneration or an arrangement on similar lines to that agreed in respect of the Head of the CPRS. We much prefer the second course, that is, to seek to reimburse the UIPP(L) rate of £28,235 or thereabouts. If we are to go for such an arrangement, Sir Douglas Wass and I will need to be free to indicate as much when we see the heads of the major institutes. I do not suppose that that would be an insuperable difficulty; they are likely to see the advantages for the profession of making it possible for somebody good to be made available for this appointment.

10. I should be grateful if you could let me know whether the Prime Minister is content that we should proceed accordingly.



ROBERT ARMSTRONG

22 February 1983



Accountancy Adviser to the Treasury and Head of the
Government Accountancy Service

It is proposed to create a new post of Accountancy Adviser to the Treasury. The holder of this post will be the professional Head of the Government Accountancy Service in succession to Mr K J Sharp, the term of whose appointment expires in October 1983.

2. As Accountancy Adviser to the Treasury the holder of this post will be responsible for:

- (a) prescribing standards for internal audit in Government Departments, and guiding Departments in their implementation;
- (b) advice to Treasury divisions on the professional accounting aspects of their responsibilities;
- (c) contributing to the work being done by the Treasury and the Management and Personnel Office on the promotion of better financial management in Government;
- (d) the management of the work and staff within his command.

3. The posts and staff within his direct command will be those now with Accountancy Finance and Audit (AFA), both those already in the Treasury and those at present in the Management and Personnel Office; the Government Accountancy Service Management Unit (GASMU); and the two branches of the Accounts and Purchasing (AP) division of the Treasury dealing with commercial accounting advice to Treasury divisions, repayment policy, and the financial and accounting aspects of trading funds. The AFA staff now in the Management and Personnel Office, the post of the Head of the Government Accountancy Service and the staff of the GASMU now in the Department of Industry will be transferred to the Treasury, and the financial provisions adjusted accordingly. This will give the holder of the post the command initially of more than 40 staff.

4. As professional Head of the Government Accountancy Service, the holder of this post will be responsible for:

- (a) professional leadership of the accountants working in central Government, not only in the Treasury (whether working directly to him or not) but also in other Departments through their senior managers;



- (b) the development of the functional specialism of accounting in Government Departments, including close co-operation with those in the Management and Personnel Office responsible for central policies for recruitment, training and personnel management, and the development of interdepartmental co-operation in these matters.

On these matters he will have direct access as necessary to the Head of the Home Civil Service.

5. He will advise Government Departments as required on all questions concerning their employment of or professional consultations with members of the accountancy profession; he will advise those Departments concerned with the development of accounting practices and standards; and he will advise on the application and development of such practices and standards in the public sector. He will also advise the Secretary of State for Trade as required on matters of accountancy arising in the course of the discharge of the Secretary of State's responsibilities under the Companies Acts and related legislation.

6. It is hoped to fill this post by means of secondment, for a period of three years in the first instance, of a senior member of one of the major firms of accountants.

CONFIDENTIAL



Grant March

10 DOWNING STREET

From the Principal Private Secretary

21 February, 1983.

Appointment of the Comptroller and Auditor General

The Prime Minister had a brief word with the Chancellor of the Exchequer, Sir Douglas Wass, and Sir Robert Armstrong this evening about the Chancellor's minute of 14 February. The Prime Minister said that she had no enthusiasm for the procedure recommended in the Chancellor's minute, but she agreed that it was important to prevent The Queen from being put in the position of receiving conflicting advice, and that the proposed procedure was an improvement on what is now in the Bill. She therefore agreed that the procedure in the Chancellor's minute should be proposed to Mr. St. John Stevas.

FOR ROUTING

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

MR

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

21 February 1983

APPOINTMENT OF THE COMPTROLLER AND
AUDITOR GENERAL

The Prime Minister has considered the Chancellor's minute of 14 February about the mechanics for the appointment of the Comptroller and Auditor General.

She would like to have a word with the Chancellor and Sir Robert Armstrong about this matter when they meet at 5.30 this afternoon.

I am copying this letter to Sir Robert Armstrong.

AA ^{AK} F E R BUTLER

Signed in his absence

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL



Ref. A083/0583

MR BUTLER

Appointment of the Comptroller and Auditor General

The Chancellor of the Exchequer sent me a copy of his minute of 14th February to the Prime Minister on this subject.

2. What is important is that The Queen should not be put into a position in which she might receive conflicting advice from the House of Commons and from the Prime Minister. I think that that objective is secured by the compromise which the Chancellor of the Exchequer now proposes, and that the compromise would be acceptable on those grounds.

3. It is possible that at some time such an arrangement might be prayed in aid as a precedent for proposals that other officers who are now appointed by The Queen on the advice of the Prime Minister should be similarly appointed. I have in mind, in particular, the Clerk of the House of Commons and the Parliamentary Commissioner for Administration. But that is of course a danger inherent in any departure from the existing arrangements for appointing the Comptroller and Auditor General.

Approved by
ROBERT ARMSTRONG
and signed in his absence.

18th February 1983

CONFIDENTIAL



Prime Minister

Sir Robert Armstrong's
Comments are attached.

Do you agree that the
Chancellor should try his compromise
on Mr. Stevas?

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

PRIME MINISTER

If you wanted to discuss
with the Chancellor and Sir Robert,
there might be a moment at the
end of the meeting on Monday
about senior appointments.

Yes not

FERB

18.2.

APPOINTMENT OF THE COMPTROLLER AND AUDITOR GENERAL

I need to consult you again about the provision to be made in the Parliamentary Control of Expenditure (Reform) Bill for the appointment of the C&AG. As you will have seen - my minute of 9 February - this was one of the issues on which MISC 92 felt that we should try to reach agreement with Norman St John Stevas.

The Bill provides for the Crown to be advised on the appointment by way of an address of the House of Commons, the motion for the Address being moved by the Chairman of the PAC. Clearly this won't do, and we shall have to be ready to move an amendment in Committee.

The present position is, of course, that you advise the Queen after consulting the Chairman of the PAC. In December you agreed - Mr Scholar's letter of 15 December - that we could propose that the Queen should be advised by a Commission of yourself and the Speaker. I have discussed this with Norman but he preferred a procedure involving an Address by the House to the Queen, as was recommended by the PAC.

/I believe that

CONFIDENTIAL



I believe that there is a lot of support in the House for such a procedure, under which the House is seen to be providing advice to the Queen. But we have stressed that the Government has also a very considerable interest in the choice of the C&AG, because of his right of access to departmental papers. Moreover, the Queen should not be put in a position in which she might receive conflicting advice from the House and from you.

These considerations could be met by a clause which provided for a new appointment to be made by Letters Patent by the Crown following an Address of the House of Commons, no resolution being made for such an Address unless the motion is moved by the Prime Minister, with the approval of the Chairman of the PAC.

While it is undesirable that the nomination should be the subject of debate in the House, this provision would at least give you a veto. In effect, of course, the Chairman of the PAC would have one too. So I need to know now whether you would be ready to envisage such a concession.

It might not take the trick, for some of the supporters of the Bill will want to retain the clause that is in it now. I would however hope that many would be persuaded that we had moved as far as we reasonably could, given the Government's legitimate interest in the appointment, and the need to protect the Queen's position.

I should be happy to discuss this if you are uneasy about the concession.

I am copying this minute to Sir Robert Armstrong.

G.H.

14 February 1983

Govt Mach: Comptroller + Auditor Gen Pt 2



2





SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

Prime Minister (2)

Mus 11/2

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

mf

1/11 February 1983

[Handwritten signature]

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL

Following Tuesday's meeting of MISC 92, we shall be thinking further about the changes which we might wish to put forward in due course to make the Bill more satisfactory.

I am not averse to developing the idea of value-for-money audits for the nationalised industries, as proposed in the letters of 26 January and 3 February from John Sparrow and Patrick Jenkin, as an acceptable means of giving Parliament a more active role. But for this to appeal to the Bill's supporters it would, I believe, be essential to emphasise Parliament's ability directly to question the Chairmen (who have prime responsibility for their industries' efficiency, rather than Ministers) more fully than hitherto. This examination might be by the PAC, as envisaged in your minute of 24 March 1982 to the Prime Minister, or by the existing Select Committees, or even by a revived SCNI.

So far as ultimate fallback positions are concerned, I would be inclined to consider two possibilities which might usefully be combined. We might confine the C&AG's access to those industries which are monopolies, where Government and the House share a particular concern. We might also propose excluding the C&AG from access to those industries and Government-owned companies (or relevant parts of them) where the Government has declared its intention to privatise (a provision which should appeal to our own supporters).

I am copying this letter to the Prime Minister, colleagues on MISC 92, Sir Robert Armstrong, and John Sparrow.

NIGEL LAWSON

[Handwritten signature: Nigel Lawson]

Gov Mack 172

Ech - Audited General

AM

11 FEB 1968



PART 2 ends:-

Clare x to PP 9.2.83

PART 3 begins:-

8/5 Energy to Clare x 11/2/83

____ Grey Scale #13 _____



A

1

2

3

4

5

6

M

8

9

10

11

12

13

14

15

B

17

18

19

