



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

22 July 1980

The Rt. Hon. Sir Keith Joseph, Bt., MP
Secretary of State for Industry

R 24/7

Dear Secretary of state,

NATIONALISED INDUSTRIES : FINANCIAL CONTROL

We asked the group of officials under Bill Ryrrie who have been talking to NICG about possible changes in the system of financial control to report to us before the Recess. I am sending you a note by Treasury officials reporting the Group's discussions together with a covering note by Bill Ryrrie.

The Group has made useful progress in identifying some limited but nevertheless helpful changes in the direction of greater flexibility, within the essential overall control. The NICG representatives have welcomed these proposals and have said that they will do this publicly if we endorse the proposals. There are clearly some among the Chairmen who would like the more radical changes which we ruled out in present circumstances. They will no doubt want to come back to this as paragraph 2 of Bill Ryrrie's covering note makes clear.

You will see that officials have suggested some amendment of your proposal that the statement about EFLs should say that there should be a presumption that any increases agreed in EFLs should be deducted the following year. I myself feel that the new text should adequately meet your anxieties, which of course I share.

I also agree with officials that we cannot accept the Chairmen's proposals that the arrangement for end-year flexibility should be two-way, and should come into operation in 1980/81. I could not accept an additional claim on the Contingency Reserve this year; and a two-way scheme would double the potential call on the Contingency Reserve in

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later years and bring an unacceptable degree of uncertainty into our public expenditure planning and control.

I think we should approve the recommendations in the note by Treasury officials (summarised in paragraph 17). I hope we can clear this by correspondence as we have a substantial agenda at E(NF) on Thursday, including the preparation for our meeting with the Chairmen of the main industries on 28 July. But, if necessary, we can discuss any points of difficulty then.

I am copying this letter to other members of E(NF), Robin Ibbs and Sir Robert Armstrong.

yours sincerely

Briggie

for GEOFFREY HOWE

*(Approved by the Chancellor &
signed in his absence)*



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