

CONFIDENTIAL

Prime Minister

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PRIME MINISTER

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Mr Heseltine is gaining ground in his battle for his "Accounts Commission", but it will have to come back to H at least

ACCOUNTS COMMISSION FOR LOCAL GOVERNMENT

one more.

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Last year you expressed interest in, and some concern about, the proposals by the Secretary of State for the Environment for the establishment of an Accounts Commission for Local Government. At that time H Committee felt much fuller consultation was needed before they could reach any decisions. The Secretary of State for the Environment brought the matter back to H Committee this week on the basis of his paper H(80)58.

4/8

The majority of the members of the Committee were persuaded in principle that the establishment of an Accounts Commission on the lines proposed would help secure more effective control of local authority spending and help local councillors in their search for better value for money. They were influenced by the fact that the Advisory Committee on Local Government Audit had recommended the establishment of such a Commission in their first report, which was submitted a few days ago and is to be published in September. There were, however, important matters to be resolved before there could be any question of H Committee endorsing the Secretary of State's proposals. First, the consultations between departments had manifestly not persuaded officials of interested departments, including the Welsh Office, that the establishment of a Commission was to be preferred to the strengthening of the existing system of district audit. Some Ministers shared these doubts. There were also a number of outstanding points of detail still to be settled. Second, and more important, the Government are awaiting the views of the P.A.C. and others on the Green Paper on the Role of the Comptroller and Auditor General. Although this Green Paper has come down against the proposition that the C and AG should become responsible for the audit of local authority accounts, the Government have given the P.A.C. an undertaking that they would await the Committee's comments on the Green Paper before taking final decisions. The Committee had recently questioned Treasury witnesses on the subject.

1
CONFIDENTIAL

We agreed that there should now be further discussion between the Secretary of State for the Environment and Treasury Ministers about the possibility of seeking comments from the P.A.C. on this particular point in advance of their views on other matters in the Green Paper. We also invited the Secretary of State for the Environment to bring detailed proposals back to H Committee for further consideration in September. Finally, we made it clear that the chances of the Secretary of State being able, as he still hoped, to include provisions on this subject in the Local Government Bill that he has undertaken to have ready for introduction at the beginning of next session were remote.

I am copying this minute only to Sir Robert Armstrong.

You may like to know for your personal information
that although I did not indicate at this stage
I am personally very dubious
2 August, 1980
WOW