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CABINET

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL

Memorandum by the Chancellor of the Exchequer

1. Mr St John-Stevas has stated that the Bill will be published on 18 January. It will have its Second Reading on 28 January.
2. Following Cabinet discussions on 16 December I have had further discussions with Mr St John-Stevas. On the main outstanding issue, of access by the Comptroller and Auditor General (C & AG) to the nationalised industries' books, there remains a wide gap between our position and his.
3. However I have given him a detailed critique of the appointment and status clauses in his Bill, as suggested in my minute of 24 December to the Prime Minister, and some progress has been made on these clauses. I have not seen the version to be published; but in discussion with me Mr St John-Stevas has accepted that the Comptroller and Auditor General should be independent, and has promised to delete from the Bill power for the Public Accounts Committee (PAC) to direct the C & AG, and to provide for the C & AG to be paid (as at present) from the Consolidated Fund. He was reluctant to take out the provision making the C & AG an officer of the House, which he believes is attractive in principle for the supporters of the Bill. This provision would not conclusively make the C & AG subject to direction, but would leave some doubt about his independence. We should therefore seek to amend the Bill to remove the provision, or insert a clause which removes any doubt about the independence of the C & AG.
4. Mr St John-Stevas has told me that his Bill will provide for the advice to The Queen on the appointment of the C & AG to be in the form of a Motion by the House of Commons, moved by the Prime Minister after consultation with the Chairman of the PAC. This appears to reverse the roles of the Prime Minister and the Chairman of the PAC, compared with the earlier draft of the Bill: we shall need to consider whether it goes far enough, and in the right form, to meet our case. (If it does, it is likely to be unwelcome to some of his principal supporters.)
5. On the range of the C & AG's duties, the Bill is still likely to provide for him to have access to the nationalised industries, public corporations and all public and private sector bodies mainly supported by monies provided by Parliament, except that Local Authorities are specifically excluded. The intention appears to be that major examinations of nationalised industries, public corporations and Government owned companies would take place only after consultation with the sponsoring Departments. Mr St John-Stevas appears to accept that the C & AG should not question the merits of Government policies or the strategic policies of the nationalised industries: but once again we shall need to study the Bill.

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6. The Bill is now not likely to give the C & AG right of access to the thousands of companies and other bodies which would have been caught by the PAC's recommendation to give the C & AG access to all bodies in receipt of voted money, however little. But on the nationalised industries, which he rightly sees as the central issue, Mr St John-Stevas has not been willing to make any further concessions. And he has of course not moved nearly far enough to meet our concerns.

SECOND READING DEBATE

7. Cabinet decided on 16 December that we should not oppose the Bill on Second Reading. I suggest that in the debate we should concentrate our criticism of the Bill on the nationalised industry issue, on which we have arguments that many of our backbenchers ought to find persuasive. In the time before the debate we should make every effort to make these arguments known, and to ensure the fullest possible support for our views on the debate. On the status issues we should be able to acknowledge that the Bill is broadly acceptable providing the independence of the C & AG can be clarified.

COMMITTEE STAGE

8. We should consider how to handle the Committee stage after Second Reading when we have a better measure of the support for the Bill. It is likely that the Bill will suffer from many technical faults. In preparation officials should be asked to draft amendments to remove the technical faults in the status and appointment clauses, and to implement the Government's views on the clauses dealing with the C & AG's access. They should also prepare detailed notes on the technical faults in those clauses.

FURTHER DISCUSSION WITH MR ST JOHN-STEVAS

9. There is little scope for further negotiation with Mr St John-Stevas before Second Reading, but we should review the position after the debate.

CONCLUSION

10. I seek colleagues' agreement to the handling of the Bill on the lines proposed above.

G H

Treasury Chambers

17 January 1983