2 MARSHAM STREET
LONDON SW1P 3EB

CONFIDENTIAL

My ref:

Your ref:

19 December 1979

Dear Mike

You copied to us your letter of 11 December to John Chilcot forwarding a proof copy of Sir Leo Pliatzky's report, following his review of non-Departmental Public Bodies.

My Secretary of State agrees with the text of the report and is content for it to be cleared without discussion in Cabinet. He wishes to make one point, however, on the proposal that the Government should forthwith announce its approval of all the "Lessons for the Future", in respect of paragraph 73.

My Secretary of State has reservations about proposals to allow the C & AG access to the books of all new public bodies which fall short of being fully commercial, such as the new Urban Development Corporations. This could mean that the C & AG might be examining accounts which had already been audited, submitted to the Secretary of State and in turn laid by him before Parliament - after which of course it would be open to Parliament to ask the Secretary of State for any additional information they wanted. In short, the proposal could lead to a duplication of effort, at a time when Government policy is to reduce the size of the public sector.

There are a few drafting points which we wish to raise, as in the attached list which has already been passed to Sir Leo Pliatzky.

I am copying this letter to the recipients of yours.

Yours sincerely
Paul Bristow

P N BRISTOW
Private Secretary

Mike Pattison Esq
10 Downing Street

DRAFTING AMENDMENTS

PART I

Page 7 - paragraph 29.	Against entries for Inland Waterways Amenity Advisory Council and Location of Offices Bureau: delete "Employment" and insert "the Environment".
Annex B2	In heading add 's' to "corporation". And correct spelling of "England" in para 1.
	Paras 4 and 7 for "16 September" read "17 September".
Annex B4	
Page 34 paragraph 10.	In the final sentence insert "as a result" before "the total"
Chapter 8	
Page 68 - paragraph 4.	The total of column 2 should be "76,517"
Page 69 - paragraph 5.	Line 18: after "Board" insert "Committee"
	Line 37: delete "Applied" and insert "Allied".
Page 70 - paragraph 5.	Line 21: after "Tennis" insert "in Great Britain".
Page 73 - Other Bodies.	Paragraph number should be 8.

13

PRIME MINISTER

Mr. Heseltine has one reservation about Sir Leo Pliatzky's "Lessons for the Future" on non-departmental bodies. As set out below, he is concerned about the powers of access to new public bodies proposed for the Comptroller and Auditor General. As you will remember, Mr. Heseltine has had one brush with the C & AG this year, over a paper drafted for the PAC about the financial implications of policy proposals in council house sales.

I attach below the letter the relevant extract from Sir Leo's report.

It seems to me that the question is one of achieving a sensible working relationship between the C & AG and others involved in preparing the accounts of the bodies in question. But as accountability has been one of the major issues of concern on Quangos, I think it would be wrong to seek to circumscribe the role of the C & AG.

Agree that Sir Leo's conclusions on this point should be endorsed when you answer a Written Question on the report, but that the C & AG's right to examine the books should not be interpreted as an obligation to do so in every case?

If the public bodies are spending bodies then I think the C&AG should have access. Alternatively the district auditor would not prefer the role?

MAP

21 December 1979

73. Cases of this kind usually call for approval of investment programmes by the sponsor Department, and for a cash limit on the total external finance involved, whether received as grant or raised by loan. These controls do not go all the way to meeting the requirements for accountability. There is probably no standard formula for meeting this requirement in every case but, in all future cases where the body is not of a primarily commercial character and subject to the disciplines of a competitive market, though the accounts will generally be subject to commercial audit, it will be sensible to give the Comptroller and Auditor General a right of access to the books from the outset.

JR

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/10048/80

Your ref:

10 January 1980

Dear Mike

Thank you for your letter of 2 January about access by the Comptroller and Auditor-General to the books of non-Departmental bodies.

My Secretary of State is content to let this matter rest on the basis now proposed by the Prime Minister. In particular he feels that if the Comptroller and Auditor-General's right of access is not interpreted as an obligation to inspect accounts annually and is backed by sensible working relationships, one of whose aims would be the avoidance of unnecessary duplication, then his reservation will have been met. My Secretary of State assumes that the Written Answer relating to the Pliatzky report will not be in such specific terms as to preclude this flexible interpretation of the proposal in his paragraph 73.

I am copying this to the recipients of your letter.

Yours sincerely

Paul Bristow

P N BRISTOW
Private Secretary

Mike Pattison Esq

2 PPS
✓ MAP

CONFIDENTIAL

SIR LEO PLIATZKY KCB
OLD ADMIRALTY BUILDING
WHITEHALL LONDON SW1A 2AZ
TELEPHONE 01-273 3759

10 January 1980

Dear Anthony,

Public Bodies - Role of the C & AG

1. Thank you for your letter of 9 January. We have had a word about this and agreed that the words "though not necessarily the universal" should be dropped from your proposed guidance to the Treasury Press Office. For the purpose of this correspondence we can leave it at that, but I should perhaps add a couple of points for the record. We need to distinguish between my report and the Government's position on it. The report says that, in all future cases of the kind to which you refer, "..... it will be sensible to give the Comptroller and Auditor General a right of access to the books from the outset". You are not asking me to qualify this statement of my own view, and I find it difficult to imagine a case of the kind in question in which this course would be other than sensible. I am of course talking about existing systems and procedures; if your Green Paper materialises and leads to better systems and procedures, that would be another matter.

2. As regards the Government's position, this point was explicitly drawn to the attention of the Chancellor of the Exchequer when the report was circulated to members of the Cabinet, and he concurred in approving the report without any reservations. The Prime Minister has made it clear that she has no reservation on this particular point. However, what is at issue in this correspondence is solely the kind of language which the Treasury Press Office would use if occasion arose.

3. I am sending copies of this letter to the other recipients of yours, including Douglas Henley, though I had not previously felt in a position to show him the actual report, which was given only a Cabinet circulation, or correspondence about it.

Yours,

Leo

LEO PLIATZKY

Sir Anthony Rawlinson KCB
HM Treasury
Parliament Street
London SW1

CONFIDENTIAL

File

289

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

2 January 1980

Thank you for your letter of 19 December, about Sir Leo Pliatzky's Review of non-Departmental Public Bodies.

The Prime Minister appreciates your Secretary of State's concern about the risk of duplication of work by the Comptroller and Auditor-General. She nevertheless considers that if the bodies concerned are spending public money, then it is right for the Comptroller and Auditor-General to have access. This need not imply that he is obliged to inspect accounts annually, but that he has the entitlement to see the books. She hopes that Mr. Heseltine's concerns can be taken care of by encouraging a sensible working relationship to be evolved between the Comptroller and Auditor-General and those involved in preparing the accounts of the bodies in question.

The Prime Minister would be content for the District Auditor to exercise this role in some cases, but I doubt whether this would make a significant difference from the point of view of your Secretary of State's concern.

I am sending copies of this letter to Martin Hall (H.M. Treasury), Martin Vile (Cabinet Office) and to Sir Leo Pliatzky.

M. A. PATTISON

Paul Bristow, Esq.,
Department of the Environment.

Ans

CONFIDENTIAL

CONFIDENTIAL

SIR LEO PLIATZKY KCB
OLD ADMIRALTY BUILDING
WHITEHALL LONDON SW1A 2AZ
TELEPHONE 01-273 3759

2 January 1980

Dear John,

Non-Departmental Public Bodies
Position of the C & AG

1. Before the Christmas break Cabinet approved the report before them on this subject, to be published as a White Paper in the New Year, and agreed that the Government should announce their general endorsement by way of a Written Answer to a Parliamentary Question.

2. In the light of this may I refer to the letter of 19 December from your Secretary of State's office to No. 10, conveying agreement to the text of the report but commenting on the proposal to allow the C & AG access to the books of all new public bodies which fall short of being fully commercial.

3. This was the only potential point of substance raised in the correspondence between No. 10 and the various other Private Offices before the Cabinet discussion, which means that no other Department expressed reservations on this point, and I understand that it was not in fact mentioned in the Cabinet discussion. I take it, therefore, that no question arises of reflecting this point in the Written Answer which is now to be drafted. The intention is, incidentally, that the text of the answer should be rather short and I do not imagine that it will itemise particular recommendations of this kind.

4. Even so, it would be desirable, I think, to tidy up the correspondence so far as concerns this point. I hope it can be readily agreed that, in the circumstances which I have described, the matter can be regarded as resolved, and that there is no need to involve Ministers further in the question of substance.

5. On that basis I need not go into a great deal of detail here about the underlying considerations, but I should perhaps recall that I did mention to you at a fairly early

/stage

Sir John Garlick KCB
Department of the Environment
2 Marsham Street
London SW1

CONFIDENTIAL

MR M A PATTISON

with compliments

SIR LEO PLIATZKY KCB

CIVIL SERVICE DEPARTMENT
Whitehall, London, SW1A 2AZ
Tel. 01-839 7733 Ext.

stage my intention to put forward the suggestion that the C & AG should have access to the books of new bodies such as the proposed Urban Development Corporations which would be less than fully commercial organisations. I think that, if New Town Development Corporations of the existing type were being set up now, this arrangement should apply to them, and my impression is that the Urban Development Corporations will be still further removed from the category of fully commercial bodies. My recollection is that, in our talk, you did not resist this proposition, provided that the proposal was framed so as not to apply to commercial organisations in the nationalised industry sector.

6. It does not seem to me that the comments in the third paragraph of the letter of 19 December from your Secretary of State's office represent any serious objection to the proposed new arrangement. Any such objection, if valid, would arise in the case of the Housing Corporation for instance, but in fact your Department conceded the C & AG's right of access in that case. It is one of a number of cases where Departments have given way after a rearguard action and, in the present situation, I think you will agree that it would be best to go along with the proposal with a good grace.

7. I am sending copies of this to Anthony Rawlinson, Mike Pattison, and Martin Vile.

Yours

LEO PLIATZKY

Government Machinery

✓ MAP.

SIR LEO PLIATZKY KCB
OLD ADMIRALTY BUILDING
WHITEHALL LONDON SW1A 2AZ
TELEPHONE 01-273 3759

3 January 1980

Dear Mike,

Public Bodies

Two points. First, as regards the Institute of Development Studies, the report is now being printed, and the treatment of the Institute of Development Studies is the one on which we agreed, ie it is listed among the bodies against which the Government has decided, but with a footnote on the lines agreed. It might be going a little too far, but not very much, to say that we could not now change this without a risk of upsetting the printing schedule. Incidentally, the collection of material as a whole, as distinct from the relatively short main report, is quite a big printing job to get done in a fairly tight timetable.

Second, as regards the DOE point about the C & AG's right of access to the books of bodies such as the Urban Development Corporations, it transpires that I wrote to John Garlick yesterday while you were writing to Paul Bristow. I should perhaps have spoken to you before writing, but it did not occur to me that the Prime Minister (or you on her behalf) would be addressing herself to the point of substance - on which the comments in your letter are absolutely right.

Yours,

Leo Pliatzky

LEO PLIATZKY

M A Pattison Esq
Private Secretary to
the Prime Minister
No. 10 Downing Street
London SW1