

YD

cc JU



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref: SH/PSO/31616/82

Your ref:

7. April

Lee Nicholas

✓ MAF

LOCAL GOVERNMENT FINANCE (No 2) BILL -
WATER AUDIT

Thank you for your letter of 25 *✓* March. We were happy to agree to the two changes you proposed, and our amendments, incorporating these changes, were tabled and passed at Report stage.

/ I am sending copies as before.

Giles Shaw

GILES SHAW

The Hon Nicholas Ridley MP



NBPM

Local Govt.

[Handwritten signature]

Treasury Chambers, Parliament Street, SW1P 3AG

Mr Giles Shaw
Parliamentary Under-Secretary of State
Department of the Environment
2 Marsham Street
LONDON
SW1

25 March 1982

Dear Giles

LOCAL GOVERNMENT FINANCE (NO 2) BILL - WATER AUDIT

Thank you for your letter of 19 March. I am glad that we now have a little time to consider the draft of the amendments you propose to table at Report.

If we are to argue that water authorities are unlike nationalised industries because they still retain vestiges of the "local accountability" of a local authority, then it would help if all the rights of access given by your amendments were restricted to "local electors". It would also help, as you suggest in your letter, to exclude the National Water Council from the scope of the amendments, since the "local accountability" argument will not hold in that case. I hope you will be able to accept these slight modifications. I am asking my officials to discuss these two points with yours.

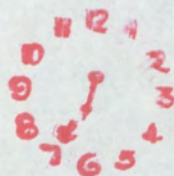
I am copying this as before.

[Handwritten signature]

Nicholas

NICHOLAS RIDLEY

5 MAR 1982





Prime Minister (2)
ms 19/13

cc JV

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

ms

19 March 1982

Dear Nicholas

Tom King

Thank you for your two letters of 18 March in the light of which I have not tabled our proposed amendments.

Following your discussions with Tom King late last night I understand that you have agreed to accept that we should amend the Bill in the manner which we propose but at Report Stage.

I will therefore seek to persuade Tony Durant and Brian Mawhinney to withdraw their amendment, as I believe to accept it may prove more hazardous than at first thought. I shall, however, have to give a cast-iron assurance of our intention to amend.

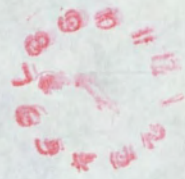
Meanwhile I have asked my officials to continue consultation with yours on the text of our amendment which was sent to them on 10 March. I have also asked them to consider omitting the National Water Council from its scope in order to distance our proposal further from your concern over its implications for nationalised industries.

I reaffirm our view that we are merely preserving the status quo in the water industry. Any change in the industry's structure is clearly a matter for future debate which could allow us to review audit arrangements if necessary. I hope you will confirm acceptance of the position reached.

I am copying this to those who have received copies of our previous correspondence.

Giles Shaw

GILES SHAW



17 8 MAR 1982



Prime Minister (2) cf. J.V. Local Gov

ms 18/3

Treasury Chambers, Parliament Street, SW1P 3AG

Giles Shaw Esq MP
Parliamentary Under-Secretary of State
Department of Environment
2 Marsham Street
LONDON
SW1

18 March 1982

Dear Giles

LOCAL GOVERNMENT FINANCE (NO 2) BILL: WATER AUTHORITIES

I have seen your letter of ¹⁷17 March, but I am afraid I cannot agree that you should table amendments tonight. I have not yet seen the amendments. I hope you will not think it unreasonable that I should have time to consider them, and the sort of alternatives we discussed at our meeting. We agreed, after all, that you would stall if necessary until Report.

I shall come back to you as soon as I can. But I must ask you not to proceed until you hear from me further.

I am sending copies of this letter to the recipients of yours.

NICHOLAS RIDLEY

17 88 MAR 1982

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



Prime Minister (2)
Mrs 19/3

100/50

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Parliamentary Under Secretary of State

John Wakeham MP

Giles Shaw Esq MP
Parliamentary Under Secretary
of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

ms

18 March 1982

Dear Minister

LOCAL GOVERNMENT FINANCE (NO 2): WATER AUTHORITIES

We spoke this afternoon about the question of public access to the Water Authorities. I explained that Ministers here have been following your correspondence with Nicholas Ridley with interest and had hoped that there might be an opportunity to consider the question in E Committee, perhaps when the Committee returns to the broader question of the Role of the C&AG at a date yet to be fixed. The timetable for your Bill seems to make this difficult and your latest letter (17 March) takes our silence for consent to the line you are proposing. I must therefore record that we share the concerns Nicholas has expressed and would prefer you to stall in Committee if at all possible until the implications of what you are proposing for the wider campaign in the House to empower the C&AG to "follow public money wherever it goes" can be sorted out.

You explained however that you felt that you had passed the point of no return in your commitments on the Bill, but you undertook to do everything possible in presenting your amendments to distance the concession you are making from the debate over C&AG access to the nationalised industries etc. Nevertheless if it were possible to hold this matter until report stage, it would give us longer to resolve it in the best possible way.

Copies go to Nicholas Ridley, Michael Jopling, Nicholas Edwards, Members of E Committee and Sir Robert Armstrong.

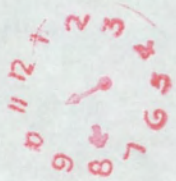
Yours sincerely

Joanna Davidson

for JOHN WAKEHAM

(Approved by the Minister
and signed in his absence)

18 MAR 1982



1001

cf. JV.

Prime Minister (2)

MS 1713



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

MS

17 March 1982

Mr Nicholas

LOCAL GOVERNMENT FINANCE (NO. 2) BILL: WATER AUTHORITIES

I wrote to you on 9 March amplifying our reasons for preserving public rights in relation to the audit of water authorities. You have received a letter from Michael Jopling reinforcing my view that we could not get away without making a concession on this point.

We have contacted other colleagues and Departments. As you know, Janet Young supports our line. There is support also within MAFF, and no comments from Industry, Energy, Transport, Employment or Trade. A number of Departments do not, of course, consider that they have any interest.

As you know, there is already an unsatisfactory amendment to reinstate public rights, tabled by Tony Durant and Brian Mawhinney, and if we are to introduce satisfactory amendments I therefore really need to do this in Committee. I would like to table amendments on Thursday evening if at all possible, as we will reach clause 24 of the Bill next Tuesday. Our officials are already in touch about the form of amendments, and unless I hear from you to the contrary I will authorise them to go down then.

I am copying this to the recipients of our previous correspondence and to the Lord President (with copies of our earlier letters).

Giles Shaw

GILES SHAW

11 12 1
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8 9 10

17 MAR 1982



Government Chief Whip
12 Downing Street, London SW1

local gov c/su

Prime Minister (2)

Mus 12/3

12 March 1982

LOCAL GOVERNMENT FINANCE (NO 2) BILL: WATER AUTHORITIES

Thank you for sending me a copy of your letter of 8th March to Giles Shaw.

I do not think we could hold the Committee on the line you propose, especially after what Giles has indicated both privately to Tony Durant/Brian Mawhinney and publicly to the Committee.

If we lost in Committee, I very much doubt if we could reverse on the floor: we would then be in the position of asking people to vote for reducing public rights v. W.As.

It is conceivable that a hard line on this might destroy the deal on the Bill: Labour laid a lot of emphasis on the Water Authority point in the earlier debates.

In conclusion, I feel that we shall be on very dangerous ground unless Tony Durant/Brian Mawhinney can be persuaded.

I am copying this to recipients of yours.

The Hon Nicholas Ridley MP
Financial Secretary
HM Treasury
Parliament Street
London SW1P 3AG

21 MAR 1992

19 11 12 3 11 12 13 14 15 16 17 18 19



Prime Minister (2)

cf 5v

Mus 103

Local Govt

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

2 P/S

My ref:
Your ref:

9² March 1982

ms

Dear Nicholas

LOCAL GOVERNMENT FINANCE (NO 2) BILL: WATER AUTHORITIES

Thank you for your letter of 8 March about water audit.

I think it would be helpful to colleagues if I were to comment on one or two points in your letter, and to correct one or two misimpressions. Firstly, I do not think it at all probable we could get away without making any concession either in Committee or on Report. There is a peculiar sensitivity amongst members on both sides of the House about water authorities, and the idea has got about that we are denying the public an important existing set of rights in relation to them and offering nothing in return.

As the public do not have similar rights in relation to other industries, the implication of any concession is very limited; in particular, I cannot see where any implications for the PAC arise. We are involved in maintaining the status quo.

Last year's decision to restructure the membership of water authorities has to be seen in context. We were then contemplating a Water Bill in the current Session. That did not materialise, and we decided to issue a consultation paper about membership presenting a number of options. This is not a cynical exercise undertaken with our minds made up. We must allow the possibility of coming back to the membership question in the light of consultation. I welcome your evident conviction that there will be a Water Bill next Session, but colleagues have not decided this yet. We must meanwhile produce a workable proposal for auditing water authorities, as I believe my letter of 4 March does. I am certain that opposition members - or our own backbenchers - will seek to force amendments to the Bill.

Finally, whatever our decision in the Commons I believe the House of Lords will prove vigilant on this issue. In addition to the Chief Whip's views, colleagues may wish to take note of those of Janet Young, as expressed in the attached letter of 25 January from her Private Secretary.

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

Yours
Giles

GILES SHAW



Chancellor of the Duchy of Lancaster

RESTRICTED

RECEIVED IN
26 JAN 1982
PRIVATE OFFICE

*Adv to PS/Se/S
Mr Gumb*

Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 4400
GTN 273 4400

25 January 1982

cc PS/PT. King

Helen Ghosh
Private Secretary to the Secretary of State
for the Environment
2 Marsham Street
LONDON SW1P 3EB

King

Dear Helen

LOCAL GOVERNMENT FINANCE BILL: WATER AUTHORITIES

The Chancellor of the Duchy saw the Sunday Times article of 17 January about proposals to bring water authority audit arrangements into line with those of nationalised industries, and the effects on the present public rights of access to the accounts of water authorities. She has also seen the relevant passages in the Second Reading debate on the Local Government Finance Bill.

The Chancellor of the Duchy fully appreciates why it is proposed to bring water authority audit arrangements into line with those of nationalised industries. However, she has a good deal of sympathy with those who have misgivings about the withdrawal of an existing right of public access to information. Is the continuation of that right incompatible with a change in the audit arrangements?

There is, as you know, considerable pressure for a "Freedom of Information" Act. So far as we know, the advocates of such legislation have not yet addressed the question of public access to water authorities' accounts; but it seems inevitable that they will do so. If these provisions in the Bill go through as they stand, they will certainly be regarded as retrograde, and damaging to the credibility of the Government's policy of making "as much information as possible" publicly available.

If your Secretary of State considers it possible - even if somewhat anomalous - to preserve the historical rights of access to water authorities' accounts, the Chancellor of the Duchy feels that this would be extremely helpful in maintaining the Government's stand against general legislation on freedom of information. She believes that, at least, the question needs to be considered against the background of policy on open government.

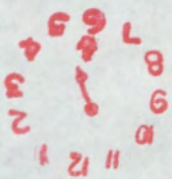
Yours sincerely

Douglas Board

D R H BOARD
Assistant Private Secretary

RESTRICTED

107



-9 MAR 1982



Prime Minister (2) local Govt.

Nick Ridley continues to think that the proposed concession on water

Treasury Chambers, Parliament Street, SW1P 3AG

authorities' audit
will make it harder
to hold the general
line on N.I.'s
audit.
MCS 8/3

Giles Shaw Esq MP
Parliamentary Under Secretary of State
Department of Environment
2 Marsham Street
LONDON
SW1

8 March 1982

Dear Giles

LOCAL GOVERNMENT FINANCE (NO 2) BILL: WATER AUTHORITIES

attached

Thank you for your letter of 4 March, which we have discussed.

To change our present policy, which you summarise in your second paragraph, could have implications for colleagues. The members of E Committee should therefore be consulted before matters are taken further.

To ensure that there is adequate time for this, you agreed to stall as necessary in the Committee stage of the Local Government Finance Bill. If need be, you could say that the matters under discussion raise wider issues, and that Ministers will come back to them on Report. I have to record that I regret that you have given a rather different impression to the Committee. As you know, I made my reservations known to you as soon as I heard of your proposals.

Briefly, you are suggesting that we should at least restore, and possibly enhance, the public's rights of access to the internal documents and the auditors of Water Authorities. As I have explained, this seems to me to pose three main problems.

If we confirm such rights in relation to water authorities, it would make it that much harder to deny them in relation to nationalised industries, or indeed other bodies. Yet it is our policy to do so.

Second, if we confirm such rights for the public, I cannot see how we could deny them to the Public Accounts Committee and the Exchequer and Audit Department. Yet we are in the midst of very delicate discussions on this.

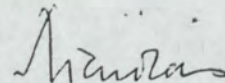
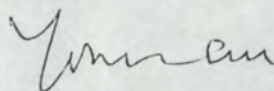
Third, it is our collective policy to move the treatment of the water authorities away from that of the local authorities and towards that of the nationalised industries. If we do not carry through

this year our decision to remove the public's right of access to the internal documents and auditors of water authorities, we are likely to face the same problem next year in the Water Bill. That Bill will remove the local authority majority from water authorities. It will therefore remove the only defence for maintaining rights which are appropriate only in relation to local authorities, where the rights exist because local authorities are answerable to their electors. On the other hand, not to do it now, might make it even harder to do it then.

Despite these misgivings, I entirely understand, that there is pressure to preserve the rights which now exist. I have seen some of this myself. As I explained to you, I hope very much that it can be resisted. If we bow to pressure here, we risk adding to our troubles on wider fronts. I should therefore be very glad to know from the Chief Whip whether he judges that we should be likely to succeed if we resisted the pressure on Report.

If some concession has to be made, we have common interest in trying to identify the least damaging course. I should like to help you as far as I can. But I have to say that any move would have to be more limited than that suggested in the annex to your letter. You kindly offered to take this away and consider it further.

I am sending copies of this letter, together with yours, to the Members of E Committee, the Secretary of State for Wales, and the Chief Whip, and Sir Robert Armstrong. I suggest that we proceed by correspondence unless colleagues feel that a meeting would be more useful.



NICHOLAS RIDLEY

13



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

4 March 1982

John Nick

LOCAL GOVERNMENT FINANCE (NO. 2) BILL: WATER AUTHORITIES

Your Private Secretary wrote to Michael Heseltine's on 1 March about our proposals to amend the Local Government Finance No. 2 Bill as it relates to the audit of water authorities.

E(EA) Committee on 21 July last year accepted a number of proposals in a paper Michael had circulated on the water industry, including one that local government audit arrangements should cease to apply. Instead, we proposed that the Secretary of State should appoint the auditors of water authorities and the National Water Council. Existing public rights under the Local Government Act 1972 to inspect the accounts of water authorities and supporting material, to question the auditor, to object to items in the accounts and to call for an extraordinary audit should cease.

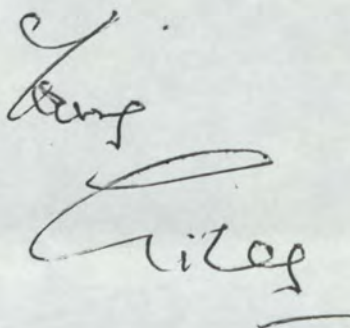
Our decision was a conscious one to put water authority auditing on all fours with the normal pattern of nationalised industry auditing. No public rights on access to accounts or to the auditor exist in relation to the conventional nationalised industries. We have however come under very considerable pressure to change our policy on public rights. Local ratepayers' associations and the National Federation of the Self Employed have mounted a campaign of strong resistance. You may yourself have received copies of letters from them. Over 50 members have passed correspondence on to me, and both Tony Durant and Brian Mawhinney, who are on the Bill Committee, have pressed the ratepayer's case. I am certain that if we were not to agree to amend the Bill ourselves, amendments would be tabled by the opposition or our own backbenchers. Accordingly, I have had to concede in Committee that we shall amend the Bill. In view of the sensitivity of access to nationalised industry accounts, and of audit questions more generally, I would like to consult you before we go any further.

What we have said, on the basis of the letter of 1 March, is that rights traditionally enjoyed by the public should be preserved. We cannot say less, since the weakness of our position all along

is that we have been removing rights without putting anything in their place. We cannot however say more without implying that we have taken a fresh look at what rights the public should have, and have concluded that they should be enhanced. This could have repercussions on the audit of other bodies which you, and other colleagues, might well find unacceptable.

For reasons explained in the Annex, it is not possible to preserve the exact provisions of the Local Government Act 1972, but it is possible to arrive at a reasonable approximation. We have not made so much public play of the analogy between water authorities and nationalised industries for these proposals, in my view, to constitute any embarrassment for you and other colleagues. The fact is that water authorities are sui generis - a hybrid between a local authority and a nationalised industry - and in this instance we are being constrained to continue a close link with local government. I do not accept the implication that any real analogy can be drawn between the activities of the Reading Ratepayers' Association in investigating the car pooling arrangements of the Thames Water Authority and the potential activities of the PAC in investigating the financial affairs of a nationalised industry.

We do accept that, if we secure a place in the legislative programme to restructure the water industry, we would need to reconsider these rights. I do not however think that we can rely on this eventuality to solve our difficulties quickly. I hope you will therefore find it possible to agree to the proposals in Annex A. It would greatly ease progress on the Bill if we could introduce amendments in Committee and we have told the Committee that is our ^{intention} aim. If we are to have any chance of achieving this we will need agreement tomorrow if at all possible.



GILES SHAW

PUBLIC RIGHTS IN RELATION TO WATER AUDIT

At Present

1. The rights of the public in relation to the audit of water authorities (WA) and the National Water Council (NWC) are contained in Section 159 of the Local Government Act 1972. They are, in summary:

- (a) To inspect the accounts and all books, deeds, contracts etc relating to them and to make copies.
- (b) to question the auditor.
- (c) If the audit is carried out by the district auditor, to attend before him and make objections.
- (d) If the audit is carried out by an approved auditor, to apply to the Secretary of State for an extraordinary audit.

Proposed

2. It is proposed to retain identical rights to the present ones in relation to inspection and questioning the auditor.

3. It is not possible to preserve an identical right of objection as the district auditor, and hence the distinction between audits by the district auditor and audits by approved auditors, will disappear under the Bill. In future, the Secretary of State appoints the auditors of all WAs, so it is necessary to confer the same right of objection in relation to all of them.

4. "Objection" has been interpreted by the district auditor as restricted to matters on which he could take action if he finds the objection upheld. He has powers under the Local Government Act 1972 to surcharge or take court action if he finds there has been illegality, wilful misconduct etc. He also has power to make a report in the public interest on any matters arising out of or in connection with the accounts. All these powers may be triggered as the result of a successful objection.

5. It has been decided not to confer all the above powers to follow up illegality etc on the auditors of WAs. The powers imply the wrong approach to accounts and audit; in future, we want the true and fair view/profit and loss approach to prevail.

6. It is, however, possible to impose a duty, modelled on the local government equivalent, and deriving from the present duties of WA auditors, to make a report in the public interest on any matter coming to notice in the course of the audit. The corresponding public right in this case should be to draw the auditor's attention to any matter on which, in the view of the objector, he might make such a report. This preserves in essence the present right to bring before the auditor something on which he can take follow up action.

Alternatives

7. We have considered a number of alternatives to this approach, but have found them all defective.

(a) Not to make any concession.

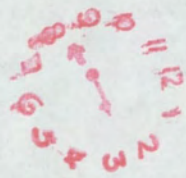
This would be quite impractical, considering the overwhelming weight of the public pressure to reinstate the rights.

(b) Preserve the rights to inspect and to question, but not the right of objection as the district auditor's office has ceased to exist.

This would be a clear diminution of existing rights, and would be unacceptable to ratepayers' groups and to Mr Durant.

(c) Put WAs under Audit Commission.

This would be at variance with our policy objective of achieving a closer direct relationship between the Secretary of State and the auditor. It would be a very embarrassing reversal of policy.



8 MAR 1982

[Handwritten signature]


Prime Minister

MCS 3/3

The Treasury are
revising a proposal
to change the
audit arrangements
for water
authorities,
because of the
wider CAG/PAC
implications.

Treasury Chambers, Parliament Street, SW1P 3AG

David Edmonds Esq
Private Secretary to the
Secretary of State
Department of the Environment
2 Marsham Street
LONDON
SW1P 3ED

3 March 1982

[Handwritten mark]

Dear David,

LOCAL GOVERNMENT FINANCE BILL: WATER AUTHORITIES

I understand that Mr Giles Shaw, the Parliamentary Under-Secretary of State, will be writing later today to report on yesterday's Committee Stage of the Local Government Finance Bill. His letter is being copied to the members of E Committee because of its relevance to Government policy on the role of the Comptroller and Auditor General which was discussed at that Committee on 9 February. I am therefore attaching to this letter the previous correspondence on this subject and copying it to the Private Secretaries to the members of E Committee and to Sir Robert Armstrong.

Yours sincerely,
David Willetts

D L WILLETTS
Private Secretary



Treasury Chambers Parliament Street, SW1P 3AG

David Edmunds
Private Secretary to the Secretary of
State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

March 1982

Dear David,

LOCAL GOVERNMENT FINANCE BILL: WATER AUTHORITIES

The Financial Secretary has seen your letter of 26 February to Jim Buckley about the proposed amendments to the audit arrangements to the water authorities. He was surprised that Treasury Ministers have not been consulted about these before.

The Financial Secretary is concerned not only that the amendments would move the treatment of the water authorities away from that of the nationalised industries and back towards that of the local authorities which was counter to the government's general policy, but also that they could be embarrassing in the wider context of the government's discussion with the PAC about the audit arrangements for nationalised industries. He has therefore asked that no commitments should be made to come forward with amendments until he and others have had a chance to consider what precisely is proposed. This is especially so as he understands there is some question of amendments creating new rights as well as preserving existing ones. If your Minister wishes to table amendments he will no doubt write to the Financial Secretary in the normal way.

In the meantime, the Financial Secretary has no alternative but to ask your Minister to stall in Committee tomorrow. The furthest he believes your Minister could conceivably go tomorrow would be to offer to consider an amendment to preserve existing rights without creating new ones. He wonders if it would be possible to rely on an undertaking to bring the whole matter back to the House on Report.

If there is any question of your Minister's making a prepared statement of the government's intentions, the Financial Secretary would be grateful if it could be cleared with his officials.

I am sending copies of this letter to the private secretaries to the Chancellor of Duchy of Lancaster, the Lord President, and the Secretary of State for Wales. I am also copying this to William Chapman in Giles Shaw's office: I have already reported its contents to him over the phone.

Yours sincerely,
David Willetts

D L WILLETTS
Private Secretary

MS/PS/PS/100/1/1

Your ref:

26 February 1982

Dear Sir

LOCAL GOVERNMENT FINANCE BILL: WATER AUTHORITIES

Thank you for your letter of 25 January ^{✓ added} about public rights in relation to the audit of water authorities.

There has been a considerable degree of opposition from MPs, ratepayers' associations and others to the loss of these public rights. The rights are unprecedented in nationalised industries, and the purpose of the water authority provisions in the Local Government Finance (No 2) Bill is to put water authority accounts and audit provisions on all fours with the normal nationalised industry provisions.

Nevertheless, in view of the widespread public feeling, Mr King and Mr Shaw have concluded that the right to inspect accounts and supporting material, to question the auditor and to draw the auditor's attention to any matter on which he might make a report in the public interest should be made available to the public. This will preserve in substantial measure the present rights.

Amendments on these lines are now to be drafted. I am sending a copy of this letter, together with yours, to the Private Secretaries to the Lord President, the Chief Secretary, and the Secretary of State for Wales so that they may be aware of this change in policy.

In view of the present rate of progress in Standing Committee and the Opposition's interest in this area we shall need to move quickly to get them down, and I would be grateful to have your agreement by midday on Monday, 1 March.

Yours faithfully
D A Edmonds

D A EDMONDS
Private Secretary

Chancellor of the Duchy of Lancaster

Helen Ghosh
Private Secretary to the Secretary of State
for the Environment
2 Marsham Street
LONDON SW1P 3EB

Ministry of the Environment
Whitehall London SW1A 2AL
Telephone 01775 2200
01775 2200

25 January 1982

cc PS/PT. K...

Dear Helen

LOCAL GOVERNMENT FINANCE BILL: WATER AUTHORITIES

The Chancellor of the Duchy saw the Sunday Times article of 17 January about proposals to bring water authority audit arrangements into line with those of nationalised industries, and the effects on the present public rights of access to the accounts of water authorities. She has also seen the relevant passages in the Second Reading debate on the Local Government Finance Bill.

The Chancellor of the Duchy fully appreciates why it is proposed to bring water authority audit arrangements into line with those of nationalised industries. However, she has a good deal of sympathy with those who have misgivings about the withdrawal of an existing right of public access to information. Is the continuation of that right incompatible with a change in the audit arrangements?

There is, as you know, considerable pressure for a "Freedom of Information" Act. So far as we know, the advocates of such legislation have not yet addressed the question of public access to water authorities' accounts; but it seems inevitable that they will do so. If these provisions in the Bill go through as they stand, they will certainly be regarded as retrograde, and damaging to the credibility of the Government's policy of making "as much information as possible" publicly available.

If your Secretary of State considers it possible - even if somewhat anomalous - to preserve the historical rights of access to water authorities' accounts, the Chancellor of the Duchy feels that this would be extremely helpful in maintaining the Government's stand against general legislation on freedom of information. She believes that, at least, the question needs to be considered against the background of policy on open government.

Yours sincerely

Douglas Board

D R H BOARD
Assistant Private Secretary

RESTRICTED

13 MAR 1952

