



Permanent Secretary
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Department of the Environment

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Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

28th October 1986

Dear Robert

LEAK INVESTIGATION: LOCAL GOVERNMENT FINANCE

I attach a copy of a report dated 29 August, with a supplementary report dated 7 October, by Bruce Scott, an MPO Panel investigator, into the leaks of information on the Local Authority Rate Support Grant settlement 1987/88 and capital controls which allegedly lay behind articles by Ms Cameron in Today, Robin Pauley in the Financial Times, John Carvel in the Guardian and Nicholas Comfort in the Telegraph.

2. It seems to me that the key conclusions in the Reports are as follows:-

- (i) the only significant leaks were contained in the Pauley article (para 3a);
- (ii) the leaker was probably not "a politically motivated anti-Government official" nor "was being mischievous against the Government or against DOE" (para 3d);
- (iii) such evidence as exists points to the source of the leak as "Treasury and DOE Ministers and officials aware" of certain confidential discussions (para 3f);
- (iv) no individual could be positively identified as the source of the leak (Para 6).

3. It comes as no surprise to me, and I know it does not to you, that the investigator could not trace the source of the leak. And it is naturally worrying to me that DOE is named as one of the two Departments from which the leak might have come (para 2(iii) above refers).

4. I have reported the findings of this investigation to my Secretary of State. He too is not surprised that the source of the leak was not identified but he takes satisfaction from the fact that the very act of the inquiry has demonstrated to the Department the importance which he attaches to the preservation of confidentiality on the part of both the official and political sides of a Department, without which it is very difficult for mutual trust to be developed between Ministers and officials.

5. I have used the occasion of this inquiry to underline this message with my senior colleagues and I have asked that they make sure that the message is carried through the Department.

6. The investigator does raise in the report what I regard as a management issue touching on one of my members of staff. As you know I will be pursuing that separately. I do not think any other action is needed.

7. I am copying this letter to Sir Antony Duff, with the enclosure; and to Nigel Wicks, Sir Peter Middleton, Sir David Hancock, Sir Brian Cubbon, Sir Alan Bailey, Sir Kenneth Stowe, Richard Lloyd Jones, Sir William Fraser and Sir Brian Hayes, without the enclosure.

Yours

July

T M HEISER