



Prime Minister  
 It might be helpful for colleagues  
 to know your reaction to this  
 before Friday's NHS meeting.

CONFIDENTIAL ① Are you content with  
 a paving provision on the  
 Yes no basis proposed?

PRIME MINISTER

AUDIT OF THE NATIONAL HEALTH SERVICE

② If so, do you think a  
 speech by Mr. Ridley is at  
 X would help?

RRC6

In a recent meeting of your Ministerial group on the review of the National Health Service (NHS) you asked Kenneth Clarke for a note on the possibilities for using this session's Housing and Local Government Bill to provide for the Audit Commission to take over the external audit of the NHS. In the event, it proved most convenient for me to take a meeting last Tuesday on this issue with Kenneth Clarke, Nicholas Ridley, John Major and Ian Grist. This minute, which I have agreed with them, reports the conclusions that we reached.

First, we agreed that if any provisions on NHS audit were to be included in Nicholas Ridley's Bill, it would not be practicable to do it entirely by way of Government amendment during the Bill's passage. Some minimum provision would, therefore, have to be ready for the Bill's introduction at the end of January, ie, shortly after the likely publication of the NHS White Paper. It would not be possible to prepare a fully worked-up set of NHS audit provisions on that timetable, but we were also clear that there were considerable objections to the idea of promoting a general power that would simply enable the Audit Commission's role within the public sector to be expanded. We, therefore, concluded that the only practical compromise would be a paving provision authorising the Audit Commission to undertake some audit and value for money work in the NHS field, so as to enable them to build up experience and prepare to assume the full role that they would be given when the main NHS review legislation came forward in a later session. In principle it would be possible for such a paving provision to be expanded at Committee to embrace the full legislation required for the transfer of the NHS audit to the Audit Commission, but the problems that even a paving provision could create, as discussed below, would be greatly magnified by such a move and we concluded that it was not practicable. A paving provision of this kind should be fairly short, and Nicholas Ridley is prepared for it to be included in his Bill. Given the importance of the topic in your review group's thinking, Kenneth Clarke and John Major would ideally have wanted the Audit Commission to be given the full powers in the present session. Failing that possibility, they view the paving provision as the bare minimum that should be done on the issue in 1988-89.

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The inclusion of a paving provision of this kind would require a reference to the NHS in the Bill's long title and it would clearly enlarge the scope of the Bill in a way that made it vulnerable to some amendment on NHS issues. It is impossible to predict quite how far that vulnerability might extend beyond the immediate areas of efficiency audit and value for money, as a great deal would depend on the ingenuity and determination of the Opposition. If, for example, the NHS review were to link funding with performance and efficiency, and the Opposition were determined to debate those issues on Nicholas Ridley's Bill, then they could probably find a way to do so. There is, therefore, an unavoidable risk that Nicholas's Bill could be used as an additional vehicle for debating the NHS review in a way that might be difficult to contain. Kenneth Clarke and John Major both feel that this is unlikely to happen. They see the extension of the Audit Commission's remit as an essentially technical matter that is unlikely to attract a great deal of attention, especially if it is tucked away towards the end of a very long Bill on local government matters and only debated some time after the review has been widely discussed. So far as the carriage of Nicholas's Bill itself is concerned, it is clearly unwelcome to have to contemplate a completely new kind of extension of a major Bill that is already starting very late. In my own view, it would be too optimistic to assume that the Opposition would entirely refrain from exploiting the inclusion of NHS material, and I believe that expanding the Bill in this way would be bound to add to the difficulties of managing it. The fact that the Bill is almost certain to be guillotined is not the end of the story. I know that Nicholas is anxious that the inclusion of NHS material should not be allowed to have much impact on the Bill's timetable, but I am afraid that I cannot guarantee that. Nevertheless, if it is decided to include this material, then I am confident that we can bring the Bill to Royal Assent, albeit at the possible cost of limiting our room for manoeuvre in other parts of the programme.

I think it follows from this that, although I see the business management aspects as quite important, they are not the decisive factor. The essential thing is the assessment of the threat that a paving provision in Nicholas's Bill might present to the overall presentation of the NHS review proposals during the first half of next year. The majority of the colleagues at my meeting this week were confident about this, and I hope that this minute will provide you with a basis for reaching a decision on the point.

X | Finally, if it is decided to include this provision in the Bill, Nicholas Ridley wondered whether the most effective way of playing it down as an essentially technical issue might be for him to make a speech on audit issues in early January, praising the Audit Commission's performance and announcing the intention of extending their role into the NHS as a pragmatic and sensible next step. He believes that, notwithstanding the proposal's subsequent inclusion in the health review White Paper, such a speech would

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helpfully set the measure in the context of making fuller use of a body which has proved its effectiveness. I know that Nicholas would welcome your views on this suggestion. should you decide that the paving power should be included in his Bill as introduced.

I am sending copies of this minute to Nicholas Ridley, Kenneth Clarke, John Major, Ian Grist, and to Sir Robin Butler.



JW

12.12.88

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