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T Flesher Esq
10 Downing Street
LONDON
SW1

Miss Jones

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24 July 1984

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Dear Jim,

TREASURY MINUTE REPLYING TO THE 13th TO 18th REPORTS
OF THE PUBLIC ACCOUNTS COMMITTEE 1983-84

The Treasury wishes to publish a further Treasury Minute replying to a number of reports from the Public Accounts Committee. We have already replied to the Committee's first twelve reports of this Session. We are ready to reply to the next group of reports, ie 13 to 18 inclusive. (You may be aware that the Committee has or will have published a further dozen or so reports during this month alone. Those reports are not the subject of this letter as we shall not be ready to respond to any of those until the House returns in the Autumn).

2. The texts in reply to the PAC's 13th to 18th Reports have been agreed between the relevant departments, including the Treasury. The Financial Secretary has approved the Government's reply being presented in his name as is customary. Therefore, we now propose to publish our response to the PAC, in the traditional form of a Treasury Minute, before the House rises for the Summer Recess.

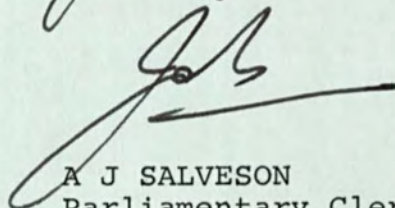
3. We have asked HM Stationery Office to publish the Treasury Minute as a Command Paper. Timing is, as often, tight to achieve publication before the Summer Recess. As we always try to avoid publishing these Treasury Minutes when the House is not sitting, if we do not publish by 1 August, we would then have to wait until October for the next opportunity.

4. May we, therefore, have your approval to publish the Command Paper at 10.00am on Wednesday 1 August. We suggest, again subject to your approval, we should provide pre-publication (ie CFR) copies as normal prior to publication. We propose laying the Command Paper before both Houses of Parliament on Tuesday 31 July at 3.30pm. Treasury Information Division would supply copies to the Lobby on the usual arrangements. We shall also release copies to the departments which have contributed to the text, to PAC members and to the National Audit Office on 31 July.

5. I enclose a note explaining the background to the particular PAC reports. We do not expect this Treasury Minute will attract much attention, even on a generally otherwise slack newsday. There are a couple of items, eg Vehicle Excise Duty (13th Report), BTG, specifically INMOS and NEXOS (15th Report) and the Britoil sale (17th Report) which might stimulate some interest. But we consider that is due to the on-going interest in these particular subjects. There is nothing new or significant as such in the Treasury Minute.

6. I am sending copies of this letter and enclosure to Murdo Maclean and David Morris.

Yours age

A handwritten signature in dark ink, appearing to be 'A J Salvesson', with a long horizontal flourish extending to the right.

A J SALVESON
Parliamentary Clerk

SUMMARY OF PAC REPORTS AND LIST OF DEPARTMENTS
RESPONSIBLE FOR REPLY

13th REPORT: VEHICLE EXCISE DUTY (Department of Transport)

A rather obvious set of recommendations suggesting that the scale of VED evasion may be larger than Department of Transport's past surveys have indicated; a further survey is needed; if evasion on this scale remains a problem alternative systems of vehicle taxation should be re-considered; meanwhile the present VED system should be more strongly enforced and larger fines imposed on evaders brought before the courts.

14th REPORT: NEED FOR WORK IN GOVERNMENT DEPARTMENTS (HM Treasury)

More a set of "hopes" than firm conclusions or recommendations. The only real point of substance from the report was that the need for work to be done at all must be systematically examined. There was also criticism of reductions in the frequency of staff inspections. But generally the report helpfully includes some steers which could prove useful for the Financial Management Initiative.

15th REPORT: MONITORING OF BRITISH TECHNOLOGY GROUP
(Department of Trade and Industry)

A quite fair report which raises genuine questions that need further study about the required supervision of BTG by the Government. The report also highlights INMOS (generally favourably, but with a warning that the PAC will be monitoring the terms and destination of HMG's shares) and NEXOS (generally unfavourably, criticising the explanations given so far for the losses incurred on NEXOS and recommending DTI to carry out a full and proper investigation). The latter failing has permitted PAC to parade a favourite hobby-horse that the C&AG should have full access to the books and records of BTG (ie an HMG-owned company).

There have been two recent announcements by DTI Ministers which have a bearing on this response: the establishment of a special investigation into the NEXOS loss (5 July) and the sale of the NEB's shareholding in INMOS to Thorn-EMI (12 July).

16th REPORT: NHS MATTERS (DHSS/SHHD/Welsh Office)

A predictably long report covering a number of areas where the Committee is dissatisfied with the running of the NHS. Mainly a progress report, and chaser, on reports of its predecessor Committee (particularly the 17th Report, 1981-82). The report is particularly critical on monitoring and control of staff. Action by the Health departments on other fronts, i.e. accountability to Parliament, cost of remedying defects in hospitals, reimbursement to the NHS of overpayments to opticians, and control of stores, are given a guarded welcome in principle but departments are urged to speed things up. The report's comments about control of stores, which the Government response will merely have to acknowledge, is relevant to the campaign currently being run by Mr Ralph Howell, MP against the C&AG, on which Mr Howell has written on a number of occasions over the past year or so to the Prime Minister.

17th REPORT: SALE OF GOVERNMENT SHAREHOLDINGS IN BRIT OIL AND ASSOCIATED BRITISH PORTS (Departments of Energy and Transport)

Somewhat like the 16th Report a follow-up to one of its predecessor's reports (10th Report, 1981-82). Mainly with the benefit of hindsight the Committee's conclusions are generally critical of the use of underwriting and involvement of underwriting firms in the pricing while pressing the Committee's favoured method of sales by tender and phased releases of shares. The response is not an easy one as it has to explain the reasons for the particular arrangements adopted for specific sales and take account of circumstances surrounding the recent Enterprise Oil sale and the anticipated British Telecom sale.

18th REPORT: FORESTRY COMMISSION (Forestry Commission)

The PAC's regular quinquennial review. Broadly the report is not much more than commonplace observations or urgings in favour of maximum efficiency. But the report does pose one

difficult question for the Government; the maximum possible disclosure of selling prices and purchasers when forestry land is disposed of. This goes far wider than the Forestry Commission and in the time available it has been necessary to include only a holding reply until the matter of confidentiality in selling prices and names of purchasers can be properly considered.