

RESTRICTED



Local Govt
Lee JV
Prime Minister (2)

Treasury Chambers, Parliament Street, SW1P 3AG

MUS 5/4

Rt Hon Tom King Esq MP
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

5 April 1982

Dear Tom

mt

LOCAL GOVERNMENT FINANCE (No2) BILL *with mcs*

Thank you for your letter of 2 April about the Barnett/du Cann amendment to the Local Government Finance (No 2) Bill.

I agree with you that you should try to persuade them to withdraw the amendment on the promise of a Government amendment in the Lords. I agree also with the line you propose to take. I am sure, it would be helpful if you could leave as vague as possible the principle which the Government is prepared to accept. For example, the C&AG having the right "to examine studies done by the Commission" could mean that the C&AG examines and reports on the Commission's final document, or alternatively that he has access to the Commission's working papers, which may reveal quite a lot of detail about local authorities. I think that the value of avoiding a vote now on the amendment is such that if necessary you should concede access to the Commission's working papers, but if you can avoid doing so so much the better.

Your two arguments, first that the C&AG would have access to local authority papers, and second that the amendment would create a non-sense with two similar reports issuing at the same time, strike at the main weaknesses ^{of} the amendment. You may want to stress the first in particular if, as I hope, local authority interests have been alerted, and stimulated to make their views known by the time you meet Joel Barnett and Edward du Cann. It seems to me most important that we do not concede C&AG access to the papers of individual authorities.

If you find it necessary to modify the position in order to gain agreement from Joel Barnett and Edward du Cann to withdrawing the amendment, you might like to consider dropping the requirement for the Commission to consult the appropriate Minister. I understand why you want to include this, but I wonder how effective it would be, and the proposal is bound to be viewed with the deepest suspicion by our opponents!

I am copying this letter to members of the Cabinet and Sir Robert
Armstrong.

Yours

Nicholas

NICHOLAS RIDLEY



CONFIDENTIAL

cf 3V
Prime Minister (2)

MS 5/4

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Tom King MP
 Minister for Local Government
 and Environmental Services
 Department of the Environment
 2 Marsham Street
 LONDON
 SW1P 3EB

5 April 1982

See Tom

LOCAL GOVERNMENT FINANCE (NO 2) BILL

I very much agree with what Nicholas Ridley said in his letter of 31 March to you about the Barnett/du Cann amendment to your Bill, and I hope that you will resist it successfully. If enacted, it could mean that I (or perhaps you!) would have to answer to Parliament for the actions of individual local education authorities without adequate knowledge of those actions or responsibility for them. This would be centralism with a vengeance. I am sure that it would be right for you to play this card to its full value. Even with the limitation suggested by Nicholas at the end of his letter, we should be in very difficult territory.

2. I am sending copies of this letter to the members of the Cabinet, Nicholas Ridley and Sir Robert Armstrong.

Evan,

Kear.

CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

Local Govt

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

(1)

2 April 1982

Prime Minister

Agree to this approach?

De Nier,

Yes not

MUS 2/4

I understand that at yesterday's Cabinet, Michael Jopling indicated his concern about our ability to defeat the C & AG amendment at Report Stage in the Commons on Monday. Michael Heseltine and I have now discussed the amendment with Joel Barnett and Edward du Cann. Our impression is that they may be prepared to accept some restrictions on it, but they are absolutely committed to the general principle.

The line I propose to take on Monday is that the Government accepts the importance of the amendment but, given that the provisions in it are totally new, we cannot possibly give a detailed considered view at such short notice. I would however say that in principle, we accept that the C & AG should have a right to examine studies done by the Commission which show the effects of Government policies on the ability of local authorities to provide good value for money. But certain aspects of the amendment cause us concern and we would want to sort these out in the Lords after fuller discussions with the sponsors of the amendment. Three areas are of particular concern. First, the amendment gives the C & AG access to the documents of individual local authorities, even though he cannot report on them. This will be strongly opposed by the local authorities as undermining their constitutional position vis a vis their electors. Moreover it gives the C & AG access to more information than is available to Ministers. Second, the procedure to be adopted needs clarifying. The amendment appears to allow the C & AG to carry out his examination in parallel with the Commission's own study. This will undermine the Commission's authority and is in any case administratively undesirable. I therefore propose to suggest that the C & AG should not be involved until the Commission has reported. Third, we need to sort out the relationship of the new clause to the existing clause 20 in the Bill which puts the Commission under a duty to do comparative value for money studies. In response to pressure from our own backbenchers and the Opposition we have added a requirement for the Commission to consult local authority associations and unions before undertaking these studies, and it would seem appropriate to add a similar requirement to the new clause providing also for consultation with the appropriate Minister.

As I must obviously give guidance on the Government's response to Joel Barnett and Edward du Cann before Report Stage on Monday afternoon, I should welcome any comments by 10.00 am on Monday. Unless I am able to give satisfactory assurances on the lines set out in this letter, it seems clear that the sponsors would press their amendment, and as the business managers have indicated, would be likely to succeed.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

Handwritten signature:
Z
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L

TOM KING

2 APR 1982





Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP
 Minister of Local Government and Environmental
 Services
 Department of the Environment
 2 Marsham Street
 LONDON
 SW1P 3EB

31 March 1982

Dear Minister,

As you know, Joel Barnett and Edward du Cann have tabled an amendment to the Local Government Finance (No.2) Bill (copy attached) which would grant to the Comptroller And Auditor General (C&AG) a substantial part of the access to the papers of individual local authorities which the PAC recommended in its report on the Role of the C&AG. The PAC recommendations would have granted the C&AG full access to the books of local authorities by placing him in charge of the District Audit Service. The only limitation was that the C&AG should report only on general matters, and not on individual authorities.

The Barnett/du Cann amendment would grant the C&AG access to papers which the Audit Commission by statutory right had called for from individual authorities in complying with its own statutory responsibilities. The only limitation would be that the C&AG would have access only to those papers relating to the impact on the efficiency of local authorities of Government instructions and guidance.

The PAC's original proposals were strongly resisted by local authority interests as an intrusion into local autonomy and accountability to ratepayers. The amendment is subtly drafted to focus on the effects of Government regulations, which points up the aspect of accountability to Parliament. It also, inasense, focuses on matters within the range of ministerial presponsibility, but of course it involves the C&AG having access to the papers of bodies for which Ministers are not responsible.

Whatever the merits of these particular debating points I am sure that the passage of this amendment would seriously damage our credibility in defending our general position on the role of the C&AG, as agreed by E Committee on 9 February (E)(82) Fouth meeting). Against the background of the pressure in the House for extension of the role of the C&AG we should have put this sort of provision in the Bill ourselves, if we thought it had merits. The PAC's

position seemed at its weakest in relation to local authorities because of the arguments relating to local accountability. If we cannot hold our position here, our ^{case} on the nationalised industries is bound to appear weak. As a first step, it might be argued that the C&AG should have access to the papers of the MMC.

On the amendment itself, the result would be that the C&AG would produce reports in parallel with reports by the Audit Commission. There would be duplication, and the reports by the body which the Government had set up to comment on local government efficiency would be overlaid by the C&AG's reports.

I conclude that the amendment should be resisted unless it is clear that we have no chance of winning the vote. One might expect the local authority interest to be strongly against it, and I understand that the AMA have made clear their opposition. It seems that the Opposition would have a free vote, and therefore we might expect some of them to support us. But if our chances of winning are very doubtful I think that as a fall-back position we should offer to table an amendment in the Lords which would give effect to the amendment but without allowing the C&AG access to the papers of individual local authorities. This would then not provide a direct parallel with access to the books at nationalised industries.

I am copying this letter to member of the Cabinet and to Sir Robert Armstrong.

Yours sincerely,

D.L. Willetts

Mr NICHOLAS RIDLEY

Approved by the Financial Secretary (signed in his absence.)

Local Government Finance (No. 2) Bill continued

Accountability to Parliament

Mr Joel Barnett
Mr Edward du Cann
Mr Gerald Kaufman
Mr Gordon Oakes
Mr Michael Morris
Mr Peter Hordern

Mr Ted Graham
Mr Dick Douglas
Mr W. W. Hamilton

Mr Geoffrey Robinson
Mr Harry Cowans

Mr Michael Shaw
Mr Donald Anderson

To move the following Clause:—

(1) The Commission shall undertake or promote studies of the impact on economy, efficiency and effectiveness in the provision of local authority services and in the financial management of local authorities of statutory provisions and of guidance and instructions issued to them by Ministers of the Crown.

(2) The Comptroller and Auditor General shall have access to all documents and records held by the Commission relating to any such studies.

(3) The Comptroller and Auditor General shall report to Parliament the results of his examination of any such documents and records, provided that he shall not in any such report refer to the affairs of any individual authority in a way which identifies that authority by name or otherwise.

Mr Joel Barnett
Mr Edward Du Cann
Mr Gerald Kaufman
Mr Gordon Oakes
Mr Michael Morris
Mr Peter Hordern

Mr Ted Graham
Mr Dick Douglas
Mr W. W. Hamilton

Mr Geoffrey Robinson
Mr Harry Cowans

Mr Michael Shaw
Mr Donald Anderson

Page 16, line 17 [Clause 21], after '20', insert 'or section (Accountability to Parliament)'

Mr Secretary Heseltine

Page 5, line 9 [Clause 5], after 'with', insert '(d)'

Mr Secretary Heseltine

Page 5, line 10 [Clause 5], leave out from 'and' to end of line 11 and insert—

'(b) such bodies of accountants, such bodies representing local authority employees, and such other organisations or persons as appear to him to be appropriate.'

Mr Secretary Heseltine

Page 7, line 26 [Clause 8], after 'prepare', insert ', and keep under review.'



Secretary of State for Industry

ce J.V.

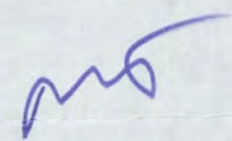
Prime Minister (2) *local Govt*
Mrs 15/4

DEPARTMENT OF INDUSTRY
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14 April 1982

The Rt Hon Tom King MP
Minister of Local Government
and Environmental Services
Department of the Environment
2 Marsham Street
London SW1P 3EB



Dear Tom,

Thank you for copying to me your letter of 2 April to Nick Ridley about the amendment on the C & AG's rights presented at the Report stage of the Local Government Finance (No 2) Bill.

2 I note your assessment that assurances on the lines suggested in your letter were necessary to cope with the amendment, but I understand that you intend to ensure that the eventual Government amendment will not provide the C & AG with any rights of access to documents of individual local authorities. No doubt there are good arguments for this related to local accountability, but I do particularly want to support the point in Nick Ridley's letter to you of 31 March that it is also important to hold the line because of the direct parallel with access to the books of the nationalised industries. The argument that C & AG access should not extend beyond the scope of Ministerial accountability, which you mention, has been vital in the presentation of our policies and I do feel strongly that if we cannot hold this position in relation to local authorities, it will be very much more difficult to sustain the argument and maintain the very necessary line that C & AG access is inimical to the activities of nationalised industries, public companies and commercial organisations generally.

3 I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

You ever
Pat

15 APR 1982

