



Prime Minister (2)

To note.

MIS 9/2

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

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PRIME MINISTER

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL

The Ministerial Group on Parliamentary Control of Expenditure (MISC 92) met this morning under my chairmanship to discuss the line we should take during the Committee Stage of the Bill.

2. Committee Stage is likely to begin on 2 or 9 March. The Committee's members will be selected tomorrow; they are likely to include some backbenchers from both sides of the House who share some of our doubts about the Bill. The Chief Secretary, Treasury will represent the Government, together with a Minister from either the Department of Industry or the Department of Energy.

Money Resolution

3. The Chief Secretary undertook during the Second Reading Debate that the Government would allow a Money Resolution on the Bill. It is possible that Mr St John Stevas will try to have the Bill committed to a Standing Committee other than Standing Committee C. If so, MISC 92 agreed that we should delay presenting the Money Resolution until the time when it would have been presented had the Bill followed its normal course.

Clauses 2 and 4

4. Our opposition to the Bill centres on these clauses, which would permit the C&AG to investigate nationalised industries, publicly owned companies, and other bodies mainly supported directly or indirectly from public funds, together with the proposed repeal of the power to submit nationalised industries to an efficiency audit by the Monopolies and Mergers Commission (part of schedule 5 read with clause 17). The major





tactical question before MISC 92 was how we can best have these provisions removed or satisfactorily modified.

5. MISC 92's assessment is as follows.

(i) We can almost certainly block the Bill at Report Stage if we wish.

(ii) But it would be politically difficult for us to take the lead in blocking it. We do not want to seem to be shielding unpopular nationalised industries from proper scrutiny; the Bill has in general met with favourable reactions in the press. Moreover, we are unlikely to be able to persuade either Standing Committee or the House to throw the relevant clauses out. We may therefore have to be prepared, at the appropriate time, to try to secure an acceptable compromise on clauses 2 and 4.

(iii) Norman St John-Stevas is also likely to be prepared to negotiate a compromise, rather than see the Bill talked out. We have every reason to believe that he greatly wishes to see passed into law a measure which secures an enhanced role for Parliament in this area even if it falls far short of the Bill as drafted.

6. The Group therefore concluded that we should study possible compromises giving Parliament an enhanced role in relation to the nationalised industries, and perhaps some other major recipients of government financial assistance, without reducing the effectiveness of our present arrangements in this area. The Secretary of State for Industry and Mr Sparrow have already suggested possible ways of achieving this objective. Officials will consider their suggestions and other possible approaches, taking account of our general policies towards the nationalised industries. MISC 92 will probably need to return to this question in due course. The Group agreed that meanwhile, in Committee, we should oppose clauses 2





and 4 outright and try to vote them down, both so as to make clear the reasons for our opposition to these proposals and because, until further work has been done on possible compromises, we do not know which of them might turn out to be acceptable. If the Bill's sponsors ask what plans the Government has for a compromise, we should turn the question on them and ask what proposals they have.

#### Other Clauses

7. Much of the Bill is technically defective; and we still have difficulties on the substance of, for example, clause 5 (which permits the C&AG to audit health authorities) and clause 11, which deals with the appointment of the C&AG; and on the precise scope of clause 3, which gives him powers (or in some cases confirms his powers) to investigate non-departmental public bodies. MISC 92 takes the view that it should however be possible to resolve these difficulties by negotiations with the sponsors, and that we should offer or put down amendments to correct the Bill's technical deficiencies. This should be done during Committee Stage: it would not be practicable or desirable to wait until Report. The Treasury is coordinating this work with other Departments; the Chief Secretary will take up with colleagues, if necessary in MISC 92, any points which cannot be resolved at official level.

8. To sum up, MISC 92's conclusions are

(i) we should use the Money Resolution to ensure that the Bill is considered on its normal timetable by Standing Committee;

(ii) that in Committee we should

(a) oppose completely and try to vote down clauses 2 and 4 (together with the associated repeal of part of Section 11 of the Competition Act 1980);

(b) negotiate with the sponsors to resolve other differences of substance;



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(c) seek to amend the technical deficiencies in clauses other than 2 and 4;

(iii) that officials and, as necessary, MISC 92 should consider possible compromise arrangements to replace clauses 2 and 4; and

(iv) that we should be prepared to negotiate such a compromise with the Bill's sponsors between Committee and Report Stages, against the threat that the Government could if it chose block the Bill on Report.

9. There is one other tactic which MISC 92 agreed should be looked at. It could be argued that the present Bill is suitable for reference to a Special Standing Committee, under the experimental procedure which Mr St John-Stevas himself introduced as Leader of the House. Investigation by a Special Standing Committee would give those private and public sector businesses potentially affected by the Bill a chance to make known their views on it. On the other hand, reference to such a Committee could backfire on us if, for example, nationalised industry chairmen seemed concerned only to defend their position. The Chief Whip is considering whether we should explore this possibility; it may, in any case, be too late to move the necessary motion.

10. I am copying this minute to other members of the Cabinet, the Chief Whip, Mr Sparrow and Sir Robert Armstrong.

*Margaret Thorne*

G.H.

9 February 1983

*(approved by the Chancellor  
and signed in his absence)*

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