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HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

3 May 1985

Dear David,

The Home Secretary thought that his colleagues would wish to be aware that the National Audit Office have asked the Home Office for access to the published supplementary volumes of the Peat Marwick report into economy, efficiency and effectiveness in the BBC. The Corporation commissioned this study at the Home Secretary's request in connection with the recent television licence fee settlement. The main report was published but the BBC considered that the supplementary volumes contained commercially sensitive information.

The National Audit Office's request is to enable the C & AG to respond to a proposal he expects the Public Accounts Committee to make that he should conduct an economy, efficiency and effectiveness examination under the National Audit Act 1983 "in relation to the settlement of the licence fee and the part played in this by the Peat Marwick report". The National Audit Office appreciate that the BBC is one of the bodies excluded from the scope of the 1983 Act and maintain that the examination they are contemplating would be of the Home Office.

We do not think that the National Audit Office's request is a clear cut breach of the restrictions in the Act, though equally we are not persuaded that they have (yet) made out a clear case for entitlement to access to the report. Given the care with which the National Audit Office customarily treat commercially sensitive information we have no particular wish to prevent them from seeing the supplementary volumes; and given that the main report has been published we propose to let them see the supplementary volumes, making it clear, however, that we are not persuaded that they are entitled to access to them under the Act. If access was refused it seems clear that this would lead to a public disagreement between the Public Accounts Committee and the Government which would probably be taken to the House of Commons. Given the circumstances of the Peat Marwick report and the licence fee settlement, the Home Secretary does not think it would be possible to argue convincingly that the Home Office was not concerned in any way with the economy, efficiency and effectiveness of the BBC and that the National Audit Office accordingly had no legitimate interest in the Peat Marwick report.

The National Audit Office have also indicated that they will want access to "the Home Office papers concerned" with the licence fee settlement. If, as we believe, they could conduct an examination of the economy, efficiency and effectiveness with which the Home Office used its resources in discharging its function of fixing the television licence fee, we believe that we could not withhold from them access to the Home Office files on the matter. On past form we might expect them to use some of the analytical material on our files in any report to the Public Accounts Committee but to respect the confidentiality of papers containing advice to Ministers. Given the restrictions in the Act on the National Audit Office questioning the merits



of policy objectives, we think that in principle a defensible line might be drawn between papers preparatory to Ministerial consideration of the issues and those which resulted from Ministerial discussions and consultations. However, this line cuts through the middle of some of our submissions, and, as I have said, we do not think we shall be able to deny the National Audit Office sight of them.

The urgency is that the Home Office Accounting Officer appears before the Public Accounts Committee on a related matter on 15 May, where the question of access to the Peat Marwick report may be raised. In view of recent controversies about the question of access, the Home Secretary thought he should bring this matter to the attention of his colleagues. Unless there are any comments before 9 May, however, he proposes that the Department should reply to the National Audit Office on the lines of the attached draft.

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I am copying this letter to Tim Flesher (No 10), the Private Secretaries to the other members of the Cabinet, to Murdo Maclean (Chief Whip's Office) and to Richard Hatfield (Cabinet Office).

Yours ever,

Hugh Taylor

H H TAYLOR

D R Morris, Esq.