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10 DOWNING STREET

From the Private Secretary

15 November 1985

BBC ACCOUNTS

The Prime Minister has seen the Chief Secretary's letter to the Home Secretary of 4 November about the BBC's accounts. She does not favour the Government issuing a direction to the BBC. She thinks it would be better for the Government continually to point out how misleading the BBC figures are.

I am copying this letter to Richard Broadbent (Chief Secretary's Office).

DAVID NORGROVE

Stephen Boys Smith, Esq.,
Home Office

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Secretary of State
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

n.
4 November 1985

Dec Douglas,

BBC ACCOUNTS

I understand that you are now considering the BBC accounts for 1984-85 which the Corporation only recently sent your officials. Apparently their accounts do not meet Leon Brittan's request that they should follow standard accounting practice over the treatment of capital assets. Not only have they not changed their accounting to meet Leon's request but there appear to be inconsistencies between what they describe as their accounting policies for fixed assets and the actual numbers supposedly giving effect to those policies in the notes to the accounts. Without these inconsistencies it is possible that the underlying result might even be a small surplus for the year rather than the reported deficit.

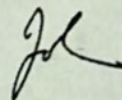
Nigel Lawson wrote to Leon about this in December last year and in his reply of 17 January Leon said he would prefer to use powers of persuasion on the BBC so long as they would work for 1984-85. He hinted that continued resistance might be met by an accounts direction. Now that the BBC have failed to be persuaded I wonder whether you see merit in issuing a direction for 1984-85. I am told that, if they had to, the BBC could change the accounts to our preferred format even at this late stage.

I realise that this is a sensitive period in relations with the BBC but they have had plenty of time to fall into line. It is hard to see how the BBC will be more amenable to persuasion in 1985-86 so there is a very strong case for

issuing an early direction for that year. Would a direction for 1984-85 be any more difficult?

I am copying this to the Prime Minister.

Yours ever,



JOHN MacGREGOR