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My ref: H/PSO/12837/80

Your ref:

16 April 1980

David Paul

We discussed with John Biffen on 2 April the question of public expenditure provision for the PSA on new works in the light of your letter of 27 March and the subsequent comments from the Prime Minister. I am reporting the outcome separately to the Prime Minister, but we agreed that it would be helpful in parallel to put colleagues on warning of how we now see the position.

It is clear following the last round of cuts that the PSA programme can in no way accommodate the priority new works schemes that Departments want set out in the list attached to my minute to the Prime Minister of 24 March. I am in all the circumstances prepared to find resources for the projects under Defence and Security for GCHQ, Box 500 and the Northern Ireland Office, which are relatively small and which I acknowledge stand rather on their own. I have also agreed to absorb within my cash limit the additional costs, amounting to £4m, arising from the high level of fuel increases expected this year. This leaves me with £5m less still to manage the existing civil estate and to carry out new building projects.

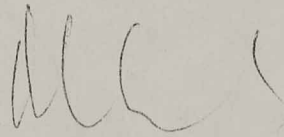
Given this background, we agreed that we must put it to colleagues that, if schemes to which they attach importance really must be started this year, the first and safest option is for them to find the resources from within their own PESC allocation, by adjustment of their present priorities. This would mean transferring funds for 1980/81 and accepting a potential liability for subsequent years, from within existing public expenditure ceilings, to complete the scheme. This letter accordingly asks colleagues as a matter of urgency to identify what they can do here, and let me know as soon as possible so that we can take the necessary decisions on the programme.

We accept that there may be some schemes - and they will have to be very few indeed - that for one reason or another Departments will be totally unable to finance, but which in the national interest must go ahead this year, and cannot be deferred. If such are identified, we will need to put them to colleagues collectively

with our recommendations. But colleagues will understand that, if they cannot find the money themselves, the conclusion may well be that the project does not have sufficient priority to warrant its proceeding.

I am copying this letter to the Prime Minister, to Cabinet colleagues, to Norman Fowler and to Sir Robert Armstrong.

Yours ever



MICHAEL HESELTINE