

PRIME MINISTER

cc Mr Wolfson  
Mr James

You asked about the report in today's Sun that the Government is considering reducing the RSG percentage from 61% to 56%.

This is false. The current position is that DOE are submitting a paper to MISC 21 which proposes that the RSG percentage should continue at 61%. The Treasury, however, are suggesting it should be 58%.

The local authorities have been asked by DOE to spend 5% less than was provided for in the last public expenditure White Paper. If they complied with this request, the 61% RSG proposed by DOE would involve rate increases of between 15 and 25%. With the Treasury proposal of a 58% RSG, rates would go up between 25 and 40%. But the Treasury are presumably hoping that their proposal would persuade local authorities to economise rather more; hence, the rate increases consequent upon a 58% RSG could be less than 25 to 40%. By contrast, the Sun this morning was talking of rates increasing by as much as 60%.

You also asked about the "Jobs for golden handshake boys" story in the Mail this morning. The facts are as follows. Mr. Heseltine suggested at a meeting with the Staff Side that - in order to take some of their activities out of Government - some PSA employees should retire early and set up as consultants to the PSA. The Government would encourage them to do this by guaranteeing them a certain amount of work for the first year or two. The idea is Mr. Heseltine's own.

DOE say that Mr. Heseltine threw this out as simply an idea for discussion: it is not a firm proposal in any way. Mr. Heseltine is in touch with Lord Soames about it, and if the idea does develop into a firm proposal, we will be informed.

/On the face

On the face of it, this idea seems pretty half-baked. If the Government is to guarantee retired civil servants work, this seems little different from actually keeping them on the Civil Service pay-roll. Inevitably, there has been further criticism in the Evening News - their main editorial.

R.

8 October 1979