



a Cab off

COPY No 1

26

2 MARSHAM STREET
LONDON SW1P 3EB

SECRET

My ref:

Prime Minister

Your ref:

1 February 1980

good if it can

be made to stick

I think he is trying to put into the letter memorandum leave.

Don Chancelor

PUBLIC EXPENDITURE: PSA

As my Private Secretary told yours yesterday evening, in the light of the Cabinet discussion yesterday morning I am prepared to find an additional cut of £25m per annum for each of the years from 1980/81.

I shall, of course, do all that I can to ensure that we work out the least painful method of making these adjustments. But there will be serious consequences for a number of Departments, in that well over half the PSA expenditure total relates to costs such as rents, service charges and fuel where the scope for immediate further savings is very limited. This means that we will have to concentrate almost entirely on major and minor new works repairs and on furniture. At this stage, it seems clear that we shall need to defer some projects which colleagues may regard as essential, and there is certainly the prospect of major complaints from the Staff Side. It almost certainly will not be possible to proceed with the international conference centre planned for Broad Sanctuary; and there must be grave doubts as to whether we shall now be able to go ahead as quickly as planned with new projects such as the computerisation of PAYE; the buildings for Customs and Exise at Dover and other ports; and the new MOD computer installation. I am told we will probably also have to look again at major improvement schemes for Government buildings such as Alexander Fleming House.

However, I am not in a position to take final decisions on this, and will not be able to do so for a little time but of course, for the purpose of any announcement you may make the £25m total should suffice.

I am copying this to the Prime Minister, the Secretary of State for Defence and the Minister of State, Civil Service Department.

John Major
D. H. S.

for

MICHAEL HESELTINE
(letter approved by the Secretary of State and