

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

Civil Service

to Mr

TIM LANKESTER

c Mr Wolfson

Your minute to the Prime Minister of 8 October on Mr Heseltine's suggestion of hiving off civil servants as consultants.

It is indeed half-baked, but nowadays one can scarcely float ideas as a basis for consultation. Everything hardens up rapidly which is going to inhibit sensible discussion.

1 The element which is attractive, of course, is by employing ex-civil servants as consultants we are keeping down the long-term commitment on pension. Tony Shrimley was telling me the other day that most of his team on "NOW!" elected to be paid under contract in order to free them for other writings: he had welcomed this because it reduced the pension liability. It is indeed an increasingly used device in the entertainment business, particularly in the BBC and the independent programme companies.



Henry L James
9 October 1979