

PRIME MINISTER

Mr. Heseltine asked you to approve a reconstituted Advisory Group on PSA, with Nigel Mobbs as its chairman. Sir Keith Joseph got wind of this and, at the suggestion of David Young, intervened, arguing that PSA ought ultimately be reduced to a small core leaving large Government departments to handle their own property and furnishings responsibilities. He feared that the beefed-up Advisory Group would merely help to entrench existing practice.

Derek Rayner confirmed that work on repayment arrangements for PSA services was progressing well, and would come to Ministers for decision quite soon. He suggested that the repayment system would, for the present, be a quite sufficient test of departments' ability to manage their own resources, and that this arrangement should be allowed some time to shake down before you could consider giving individual departments the freedom to play the market themselves.

Mr. Heseltine has asked for this meeting because he wants to appeal against your decision that his revamped Advisory Group proposal should be shelved for the present. In part, he is angry at Keith Joseph's intervention. He is also seriously embarrassed, because he had gone some way down the road with Mr. Mobbs. That is his own fault, he ignored the clear requirements of public appointments practice.

Subject to any new points which come out in discussion, you will probably want to confirm your view that this is not the right time to announce new advisory bodies on PSA affairs: this should be left aside until Ministers consider the repayment issues, at which time it might be appropriate to create a small group of advisers with relevant experience.



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