

SUBJECT



10 DOWNING STREET

From the Private Secretary

19 March 1981

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Government
Machinery
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Dear David

The Prime Minister held a meeting on 17 March to discuss the issue of repayment of current costs by Departments to PSA. It was attended by the Chancellor, the Lord President, your Secretary of State, Sir Robert Armstrong, Sir Derek Rayner and Mr. Kemp. Discussion was based on Sir Derek Rayner's two minutes of 23 January, your Secretary of State's minute of 6 February, and the Chancellor's letter to your Secretary of State of 4 February.

Your Secretary of State said that repayment had been agreed for PSA supplies. The outstanding issue concerned accommodation: the interdepartmental group had recommended repayment for accommodation, with vote responsibility transferred to departments, and Sir Derek Rayner had endorsed this proposal. Your Secretary of State favoured an attribution system, with vote control remaining with PSA, as a first step. In his view, the more important question was the need for a collective decision that Ministers should follow the current programme of manpower reductions with a comparable programme of estate reduction. Sir Derek Rayner accepted the importance of the programme for reducing the estate, but argued that there was an overriding issue of principle about accountability. Unless departments paid for resources they consumed, they would not take responsibility. In the Government system, the obligations of departmental Accounting Officers were well understood, and a full repayment system would force departments to account to Parliament for their expenditure on accommodation.

In discussion, the savings in HMSO expenses resulting from the introduction of repayment were quoted. It was recognised that departments would need an incentive to seek economies on accommodation, and this would need to be taken into account in PESC handling of potential savings on accommodation. There was no desire to return to a system in which each department had its own substantial property management section. PSA would need to retain central authority, with the ability to challenge individual proposals, but probably without the responsibility for dealing in detail with every accommodation issue.

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The wider problems of PSA were also recognised, and a number of illustrations were given in support of claims of scope for improvement in PSA management. Your Secretary of State emphasised that limited untying was already starting, which would help to cope with such individual problems.

The Prime Minister concluded that there was a preference to move direct to a full repayment system along the lines recommended by the interdepartmental group. This would need to be accompanied by limited untying, and there should also be a review of all Government accommodation in parallel with the programmed reductions in central Government manpower.

The Prime Minister would now like other Cabinet colleagues to be consulted about these proposals. She would therefore be grateful if your Secretary of State, in consultation with the Chancellor, the Lord President and Sir Derek Rayner, could put a paper to colleagues. This will need to cover the interdepartmental group's report and Sir Derek Rayner's recommendations on it, and to record that this has been discussed by the Ministers involved in the March 17 meeting, who recommend that a repayment system should be introduced along the lines recommended by the interdepartmental group, as part of a programme which will also include an effort to reduce the Government estate in line with the manpower reductions and arrangements for some untying of services at present exclusively provided by PSA.

The Prime Minister hopes that agreement can be reached in correspondence. She would like the recommendations to be put to colleagues before Easter, in the hope that they can be accepted by the beginning of May. If necessary, she would be prepared for these questions to be discussed in Cabinet in the course of May.

The Prime Minister also favours Sir Derek Rayner's recommendation, in his second minute of 23 January, that there should be a development group which can refine the repayment proposals to take account of the detailed points which have been raised. But decisions in principle to go ahead need not await the establishment of such a group.

I am sending copies of this letter to Richard Tolkien (HM Treasury), Jim Buckley (Lord President's Office), David Allen (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

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Department of the Environment.

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