PRIME MINISTER

The PSA meeting settled the repayment issue, but there was not time to consider procedure.

The inter-departmental group's report was submitted to you by Derek Rayner in consultation with Mr. Heseltine. The meeting agreed to proceed along the lines recommended by the report, as part of an approach to PSA issues which would also cover reduction of the Government estate and untying for some services on which PSA at present have a monopoly.

In present circumstances, you may feel that other Cabinet colleagues should now be consulted, rather than informed, of these decisions. They do have important implications for Departments, and a number of Permanent Secretaries can be expected to encourage their Ministers to speak up on the subject. Should we now therefore:

(i) Commission Mr. Heseltine to inform colleagues of the recommendations submitted through Sir Derek Rayner; and to

(ii) Inform colleagues that he (Mr. Heseltine) has discussed these proposals with you, the Chancellor and the Lord President and that you jointly recommend to colleagues that there should be a repayment system with transfer of vote responsibility, coupled with a drive to reduce the Government estate in line with planned manpower reductions, and with some untying;

(iii) Seek agreement in correspondence, although offering to have this discussed in Cabinet if there is strong pressure to do so.

Derek Rayner's submission to you also proposed that the group who produce the proposals should in effect continue in existence as a development group, to refine the proposals as they are put into place. You agreed in principle at the time, although this was not raised at yesterday's meeting. Should we tell Mr. Heseltine that you would wish such a development group to be established for the period of implementation?

MAD

Try to clear in correspondence.

18 March 1981