



PRIME MINISTER

PSA REPAYMENT

1. I have seen the Secretary of State for the Environment's minute to you of 26 May.
2. I very much agree with him that in the light of Ministers' replies PSA should be authorised to move to the trial run next year.
3. The timetable for implementation (trial run 1982/83, fully live 1983/84) allows ample opportunity for discussion to get the mechanics of the system broadly right. The issues raised by Ministers need not hold up the next steps. They can be considered in tandem with the move to repayment. This is happening already, for example, in respect of proposals to put capital new works expenditure on an "own PES" basis, which might be implemented in advance of repayment. The detail of the PES implications of repayment (eg sharing out the cake, freedom to make trade-offs against other expenditure) will in any case have to be got broadly right before the system goes fully live. And some of the other very fair worries voiced (eg the broad brush nature of the accommodation charge) can be picked up in the Development Group and in the light of experience. I would hope however that Ministers will recognise the enormity of the change and be prepared to accept some rough edges at first.
4. In carrying forward these proposals, I would caution against trying to go too far down the road of "untying" as some Ministers would want. There might well be scope for some untying of particular PSA services (as is already recommended in the case of minor maintenance), but I believe that Ministers as a whole need effective management of the



total estate by a central agency to ensure that the sum of the individual decisions makes for an acceptable whole.

5. If you agree that these proposals should now be taken forward, I hope that the Secretary of State will also now be able to write to the Secretaries of State for Defence and Foreign and Commonwealth Affairs to progress the PRS report's recommendations in respect of the management of their respective Estates and that the proposed studies can be mounted soon.

6. I am copying this to Ministers in charge of departments and to Sir Robert Armstrong.


DEREK RAYNER
28 May 1981