



PRIME MINISTER

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*Mr Heseltine, Treasury, & CSD have now resolved the 1980/81 PSA programme without a large ministerial meeting. MA 17/4*

I have now discussed with John Biffen and Paul Channon the PSA new works programme, following your Private Secretary's minute of 31 March. In reply to the five points raised in that minute:-

(a) and (b): I have agreed to find savings on the rest of PSA's current expenditure to meet the expected increase of £4m on fuel costs. But I cannot finance major new works in this way. PSA's Administration costs for 1980/81 already show a 12% reduction on last year.

(c) We agreed that Departments who want new schemes to start in 1980/81 should be asked to reconsider whether those schemes are really essential and, if so, to consider whether the cost can be met by the transfer of funds from programmes of lesser priority. We recognised that some Departments might find this easier than others. But it should mean that the remaining schemes that cannot be funded in this way, and which colleagues regard as essential, are few in number and warrant individual consideration. John Biffen, Paul Channon and I will review that short list and put forward proposals.

(d) So much of PSA's expenditure is committed to work in progress under existing contracts, rents, landlord charges etc, coupled with the increased fuel bill, that there is now very

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little scope for reducing the cut on new works. There are however three items on the list of uncommitted schemes which I am prepared to meet from within the programme in view of their high priority: they are GCHQ, Box 500 and Northern Ireland Office. These schemes amount to £1.2m over the next two years. We will try to accommodate them by some rephasing of other work, but this is as far as I can go in extending the major new works commitment for 1980/81.

(e) We agreed that I should now write to colleagues on the lines proposed in (c) above, and this I have done.

I am sending copies of this minute to John Biffen, Paul Channon and Sir Robert Armstrong.

*MH*

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17 APR 1960

