

PRIME MINISTER

PSA EXPENDITURE ON NEW WORKS

The minute at Flag A from Mr. Heseltine explains that Departments' bids for expenditure by the PSA on new buildings far exceeds the provision which is included in the Public Expenditure White Paper. Excess claims amount to £12 million in 1980/81 and £71 million over the PESC period. Mr. Heseltine suggests that Departments should consider re-allocating resources from other activities to building work. He concludes by proposing a collective discussion.

*Agree* | Mr. Channon's letter at Flag B argues that a good deal of work is needed before this issue is ready for collective discussion. He suggests a meeting between himself, Mr. Heseltine and the Chief Secretary. I am sure this is right. I suggest we write supporting Mr. Channon and asking that the three Ministers and their officials examine the following before the matter is discussed collectively:

- (a) the scope for finding the necessary savings from within PSA's current expenditure, including administration;
- (b) the implications for expenditure of increased fuel costs;
- (c) the scope for other departments to find savings to enable PSA to maintain its capital programme;
- (d) what is the irreducible amount which has to be cut from the PSA programme of major capital works;
- (e) what recommendations should be made to Ministers on the resulting programme.

Agree?

*Yes not.*

*TL*

28 March 1980

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Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

The Rt Hon John Biffen MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1

27<sup>th</sup> March 1980

*Dear John.*

I have seen Michael Heseltine's minute of 24 March to the Prime Minister about the implications of the further cut in the public expenditure provisions for the PSA on new work.

I believe we need to think carefully about his proposal for transferring resources within the basic allocations already made for 1980-81. The Estimates which are about to be submitted to Parliament have been very thoroughly scrutinised. If there were significant spare resources available for redeployment it would be a serious criticism of the effectiveness of our public expenditure exercises. In fact I cannot believe it is the case - certainly not in the Estimates controlled here - but if it were, the possession of such spare resources would be no sensible basis on which to determine building priorities.

It is not simply a matter of what happens in 1980-81. Some Departments might perhaps be able to find the relatively small sums necessary to finance a start on their projects in that year but they would presumably be unable to undertake to find the much larger resources required for completion in later years. An important part of the PSA's limited resources in 1981-82 and beyond would therefore be pre-empted without any proper examination of priorities.

The reallocation of resources suggested in Michael Heseltine's minute would in effect be a form of repayment. There are many arguments for putting PSA on repayment (and the feasibility of doing so is now being studied). I think that this should be done, however, only after the implications for government accounting as a whole have been properly examined and on the basis of fair treatment between one Department and another.

I think it would be helpful if you, Michael Heseltine and I could have a discussion of his proposals before they are considered by colleagues more widely. I would be very ready to join such a meeting if you called one.

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What I am sure we want to achieve is a rational decision, within the financial resources available, as to which government building projects should have priority in the national interest. This must surely be better than a series of haphazard decisions based on the chance that some departments (but not others) quite fortuitously had some spare money available.

I am sending copies of this to the Prime Minister, to Cabinet colleagues, to Norman Fowler and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Paul', written in a cursive style. The signature is positioned to the right of the typed name 'PAUL CHANNON'.

PAUL CHANNON

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*[Handwritten signature]*

*pa.*

*R.*

*273*

Treasury Chambers, Parliament Street, SW1P 3AG

Tim Lankester Esq  
10 Downing Street  
London SW1

25 March 1980

*Dear Tim*

PSA

We spoke on the telephone this morning about the Secretary of State for Environment's minute to the Prime Minister of 24 March about the consequences for PSA of the public expenditure savings agreed by Cabinet on 31 January.

We agreed that the issue was not yet in a form in which the Prime Minister or Ministers collectively could sensibly take a decision. A reasonable way forward might be that you recommend the Prime Minister to reply that the Secretary of State and the Chief Secretary should consider this further before the matter is put to collective Ministerial discussion.

They and officials might specifically be asked to examine:

- a) the scope for finding the necessary savings from within PSA's current expenditure, including administration;
- b) the implications for expenditure of increased fuel costs;
- c) the scope for other departments to find savings to enable PSA to maintain its capital programme;
- d) what is the irreducible amount which has to be cut from the PSA programme of major capital works;
- e) what recommendations should be made to Ministers on the resulting programme.

*Yours ever  
Roger Watts*

R J T WATTS  
Private Secretary





A

Prime Minister

Cabinet decided on 31 January 1980 (C(80) 4th minutes) to reduce further the public expenditure provision for the PSA on new works. The agreed line over the PESC period for major new works is now:

1980/81	1981/82	1982/83	1983/84
£23m	£25m	£19.2m	£25.2m

I have prepared as a consequence of that decision the attached table which shows, first, the existing commitments - ie work under current contracts and other schemes already in progress - and, second, all the presently-known schemes that seem to be of high priority (this excludes many other schemes to which colleagues may attach importance but which are perhaps less urgently needed). As you will see, the resources available are far outweighed by the claims on them. In 1980/81 the PESC provision is £23.15; the resources available after deducting work in progress and schemes which are already under way, is £0.167m. The claims on that by Ministerial colleagues amount to £11.899m over that available sum. For later years, as the table shows, there is still a considerable shortfall, although the amount will, of course, depend on the ongoing expenditure of schemes started this year.

C O N F I D E N T I A L



Faced with this shortfall there is no possibility of my finding the resources from within other PSA programmes. Indeed, it may be that because of the constraint of present cash limits on our fuel bills, we could be faced with cancellations of schemes which are already under way. I hope that this will not be necessary and that we reach sensible agreement with the Treasury on cash limits to reflect the true increase in fuel costs.

I suggest, therefore, that my colleagues who are making the claims shown in Part D of the table should consider how pressing is the need for a start to be made in 1980/81. If it is their conclusion that the work to be done for their Department is essential it would be for them to find the necessary public expenditure resources from within the allocations made for their Departments elsewhere. We should of course need to consider the implications of such decisions in the carrying through of expenditure into future years.

You may wish to consider a collective discussion of the problems facing us in this area. I am, therefore, copying this minute to all Cabinet colleagues, to Norman Fowler, to Sir Robert Armstrong and to Sir Ian Bancroft.

*MH*

MH  
24<sup>th</sup> March 1980

C O N F I D E N T I A L

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(CLASSIFICATION: XIV VOTE 1 SUBHEAD A1  
PART 1 NEW WORKS)

	1980/1-1983/4	1980/1	1981/2	1982/3	1983/4	TO FINISH
A. <u>PEESC</u>	92.55	23.150	25.000	19.200	25.200	
	TOTAL COST OF SCHEMES OVER PERIOD					
B(i) <u>WORK IN PROGRESS (ie FULLY COMMITTED CONTRACTS)</u>	23.500	19.500	3.900	0.100		
(ii) <u>CONTRACTS NOT YET LET BUT WHICH ARE TO CONTINUE OR COMPLETE SCHEMES ALREADY UNDER WAY</u>						
St Johns House, Bootle	2.800	2.000	0.800			
Richmond Terrace	11.592	0.250	1.000	4.124	4.000	2.218
Cathays Park, Cardiff	0.130	0.130				
Conference Centre, Substructure and TE	2.230	1.030	1.200			
Farnborough, Accident Investigation Branch	0.073	0.073				
Sub Total	16.825	3.483	3.000	4.124	4.000	2.218
Total (B(i) and (ii))	40.325	22.983	6.900	4.224	4.000	2.218
C. <u>RESOURCES AVAILABLE (A - (B(i) and (ii)))</u>	52.225	0.167	18.100	14.976	21.200	
D. <u>CLAIMS (ie SCHEMES DUE TO START IN 1980/81 OR AFTER)</u>						
Conference Centre Superstructure	23.700			2.200	7.900	13.600
<u>DEFENCE AND SECURITY</u>						
MOD Defence Data Processing Service	2.600	1.100	1.300	0.200		
MOD Defence Situation Centre	0.160	0.150	0.010			
COHQ	0.750	0.290	0.460			
Box 500	0.100	0.075	0.025			
Northern Ireland Office	0.350	0.350				
<u>NEW GOVERNMENT PROGRAMMES</u>						
Computerisation of PAYE	18.680		0.750	4.830	6.190	6.910
Unemployment Benefit Offices (Taxation of Benefits)	2.300	1.000	1.000	0.300		
DHSS Local Offices (Computerisation of Benefits)	9.000	1.000	2.000	3.500	2.500	
Department of Transport (New Driving Test Centres)	7.000	2.000	1.500	1.500	2.000	
<u>REPLACEMENT OF PREMISES TO BE DEMOLISHED</u>						
IR Dartmouth Rd, Forest Hill	0.200	0.040	0.140	0.020		
C&E Road Examination Station, Londonderry	0.382	0.191	0.191			
<u>DEPARTMENTS OPERATIONAL REQUIREMENTS</u>						
C&E Dover Harbour	0.500	0.300	0.200			
DE/DHSS, Corby	0.150	0.150				
OPCS, Titchfield	2.160	0.700	0.980	0.460	0.020	
C&E Dovercourt, Harwich	1.200	0.300	0.850	0.050		
C&E Avonmouth	1.160	0.500	0.620	0.040		
DE Livingstone	0.334	0.284	0.050			
Scottish Office Computer Suite	0.750	0.550	0.200			
<u>OVERCROWDING AND WORKING CONDITIONS</u>						
DTP, LVLO Birmingham	0.250	0.240	0.010			
DHSS Bell Hill, Glasgow	0.110	0.110				
DE/DHSS Houghton Le Spring	1.004	0.502	0.502			
DHSS Berwick	0.249	0.094	0.151	0.004		
DHSS Alexander Fleming House	0.930	0.930				
DE Steel House	0.850	0.850				
Four leased Buildings Requiring Fitting Out	0.365	0.360	0.005			
<u>OTHER KNOWN PROJECTS OF HIGH PRIORITY</u>	47.800		10.300	11.200	10.200	16.100
SUB TOTAL (D)	123.034	12.066	21.244	24.304	28.810	36.610
TOTAL: COMMITTED AND CLAIMS (B+D)	163.359	35.049	28.144	28.528	32.810	38.828
SHORTFALL (EXCESS OF CLAIMS OVER RESOURCES: ie D - C)	70.809	11.899	3.144	9.328	7.610	