



Prime Minister

I have now consulted Cabinet Colleagues on the proposals for putting PSA's services to the civil estate onto a repayment basis, as recommended by Sir Derek Rayner and agreed at your meeting on 17 March.

The majority view is that the principle of repayment is acceptable and that the method of charging proposed is also acceptable, at least as a first stage. Some Ministers would prefer not to be committed to the change until the practical mechanics have been much more fully considered. The charging system was set out in some detail in the PRS report and one of the purposes of the trial run is to provide the opportunity of explaining the system to Departments and gaining experience of its operation before becoming committed to incorporating the accommodation charge formally in Votes. It is certainly essential that the simplicity of the system should be retained and should not be lost in pursuit of greater detail. We must first see how the system works in practice before considering further refinements.

In commenting on the proposals several Ministers express concern about the implications in terms of expenditure decisions and priorities, and the respective responsibilities of PSA and



Departments for determining accommodation requirements. These issues are not dependent on the PRS system as such or on the method of charging proposed. The PRS system is simply a method of informing Departments of the costs of the accommodation services they consume (based largely on unit costs and current market rents), and provide a simple incentive to economy - as space occupied is reduced, all associated costs, (rents, rates, running costs) are reduced.

The issues that Ministers have raised, on the other hand, relate to the allocation of resources in PES and to decisions on priorities. They bear on the problems of resolving the interests of effective and economic estate management on the one hand and the operational needs of Departments on the other. These issues also arise under the Allied Service system and become more acute when resources are scarce and when expenditure is severely restricted. The introduction of repayment focuses attention on them but they are not directly related to the charging system proposed by PRS. They need to be considered in the context of the associated changes in the PES machinery and we look to the Treasury to put forward more detailed proposals for dealing with them.

As there is clearly a good deal of uncertainty about how the repayment system will work, and particularly about the PES aspects, I suggest that we carry on to the trial run and then review the outcome before becoming finally committed to incorporating the accommodation charge in Votes. If you agree I will instruct PSA to proceed to the next stage and consult Departments on the detailed arrangements for assessing and allocating the accommodation charge. It is over seven months



since the PRS report was completed and time is now getting very short to complete arrangements for the trial run in time for this year's Estimates season in the autumn. But this should still be the aim.

I am copying this to Ministers in charge of Departments and to Sir Derek Rayner and Sir Robert Armstrong.

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