

PRIME MINISTER

Here is Sir Derek Rayner's advice on Mr. Heseltine's proposed PSA Advisory Group. You were unhappy about the proposal, and Keith Joseph has argued strongly that it would only ossify the present PSA arrangements at a time when a more radical approach was needed.

Derek Rayner argues that the Group is premature. Ministers should first reach decisions on the repayment approach - which you have already endorsed in principle. He suggests that, once repayment has been established, the time will be right to ask whether Departments should be forced to buy through a PSA monopoly system or whether they can have some of these services "untied", thus assuming a greater responsibility for getting value for money.

Content that we should record your views along the lines suggested in the draft at Flag A? Mr. Heseltine's original proposal is at Flag B, Sir Keith's comments at Flag C, and a comment by Mr. Pym on the defence angle at Flag D.

MAD

Mr Heseltine has now put in a further note, in response to Sir Keith, which is also at B.

21 November 1980

*I am very much
opposed setting up this
advisory committee at this
stage. By the way
ministers
not*

PSA ADVISORY GROUP

1. You asked for comments on the Secretary for the Environment's proposal to set up a group of a dozen or so people, drawn from outside Government, to advise him on the activities of the PSA.
2. Without sight of the full terms of reference of what seems to be rather a large Group it is difficult to be certain of its success in advising on "the policies and procedures of the Agency [and] the role the Agency should be playing in relation to the functions that have to be carried out". I would think that a Group drawn from outside Government would be more suited to advise on procedures and the efficiency with which PSA carries out its responsibilities (drawing upon private sector experience) than on "policies" and "role".
3. In any case, I think that the Group's rationale, composition and role would be better determined after decisions on the proposals I shall be putting to you shortly on repayment for PSA Services. I am still waiting upon the Secretary of the Environment's views on these before bringing them forward to you for collective consideration - he had to cancel a meeting at the beginning of October and I have been unable to secure another one.
4. If these proposals are accepted by the Government they will mean that Civil Departments will bear the cost of accommodation and related services consumed by them. (The military estate in MOD and the overseas estate in FCO are left for separate study.)
5. The PSA will remain responsible for running the estate as a whole and for new capital works, maintenance and the precise location of departmental accommodation.

6. This is not because I have concluded that the present shape of PSA, its estate management function and its relationship with departments are right - I have not studied them - but rather because I believe the first priority in achieving economies is to let the costs of accommodation fall where they arise.

7. I regard this as the beginning, not the end of the road. Having established exactly how the new financial relationship between PSA and departments under repayment should work, the next steps should be to consider such issues as:

- whether PSA, as presently constituted, can meet departmental demands economically and efficiently;
- how the repayment system can be further refined;
- the extent to which Departmental Ministers can be given a bigger say in getting their accommodation right for the taxpayer and right for themselves;
- whether and how far Departments can be "untied" from PSA and what functions should be left with a central Agency for the purposes of efficiency and economy;
- the need for PSA to be established as a Trading Fund, as is already the case for PSA Supplies.

8. The first priority will be to get a decision on repayment. That will then become the point of departure for further work. A step by step approach is important if one is to ensure a consistent and robust package of change.


9. I had it in mind to recommend setting up an "Implementation Group" (under PSA chairmanship) to do the practical work of introducing repayment and to advise on

those longer term issues identified above. Its members would be Civil Servants - those on my repayment group did an excellent job - but they would call on advice inside and outside Whitehall. Given the Secretary for the Environment's proposal it will be for consideration how the Groups' work should inter-relate.

10. Against this background I think that the Secretary for the Environment will be in a better position to define the Advisory Group's purposes and objectives once it is clear what is to happen following my proposals on repayment.

11. I have taken the liberty of suggesting in the attached draft letter a possible reply to the Secretary for the Environment.

Clive Priestley

 Derek Rayner
20 November 1980

(Prepared by Sir Derek Rayner in Hertfordshire and signed on his instructions.)

Enc: Draft letter to Mr Edmonds, DOE

DRAFT OF 20 NOVEMBER 1980

D A Edmonds Esq

PSA ADVISORY GROUP

1. The Prime Minister has seen your Secretary of State's minute of 4 November and those of the Secretaries of State for Industry and Defence.
2. She has said that while a look at the policies, procedures and role of the PSA is important, she feels that the Advisory Group's rationale, composition and role would be better determined after decisions on Sir Derek Rayner's proposals on repayment. These are to be brought forward shortly for Ministerial consideration.
3. She has asked therefore that your Secretary of State should not make an announcement at this stage.
4. I am copying this to Ian Ellison (Industry), Brian Norbury (Defence), Jim Buckley (CSD), David Wright (Cabinet Office) and David Allen (Sir Derek Rayner's office).

[Private Secretary]

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21 NOV 1980

