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PRIME MINISTER

PSA ADVISORY GROUP

I asked - because of a long-standing interest in changing the centralisation of the management of Government property - to see a copy of Michael Heseltine's minute to you of 4 November. In this he proposed the establishment of a small group to advise him on the activities of the Property Service Agency and the nomination of Nigel Mobbs of Slough Estates and Charterhouse as its Chairman.

2. Nigel Mobbs would do an excellent job; he has a good reputation and would obtain experienced volunteers in the various professions who would help him build up the advisory group. What I do question, however, is the concept that Michael is proposing. I understand that the PSA was originally intended to be independent of any Department. This was changed; many functions were added to its role and its budget is now carried in the Department of the Environment vote. The result is that the true cost of the accommodation occupied by Departments in Whitehall, and elsewhere, is concealed and Ministers in charge of individual Departments have little incentive to effect economies. Indeed, my own work on the current Rayner exercise has shown me that it is difficult even to identify the cost of the accommodation occupied by this Department.

3. I understand that Derek Rayner is proposing that, from



the start of next year, all costs of accommodation should be charged to individual Departments. This would bring home to Ministers and Permanent Secretaries the real cost of the accommodation they occupy and the services they obtain. I think we should go further than Derek suggests and convert the PSA into a trading fund. This would make it independent of the Department of the Environment's vote and would ensure both that it would obtain reimbursement of all its costs by charging Departments and that its accounts were produced on a basis which permitted comparison with outside bodies. I would expect individual Department heads to be reluctant to pay the full overhead costs now involved in the provision of PSA services and to bring about a reduction in the number of Civil Servants engaged on property management activities. This could produce even more widespread benefits than Michael's own vigorous management can achieve.

4. Against this background, I hope that you will take an opportunity to discuss Michael's proposals with Derek Rayner before reaching your decision. If it is decided to make the changes which Derek has in mind and if we can agree to convert the PSA into a trading fund operation, then the Chairman we require is one who is dedicated to the liquidation of the Agency; it may be unfair to ask Nigel Mobbs to do this.

5. I am copying this minute to Michael Heseltine,

/Francis...



3.

Francis Pym, Christopher Soames, John Biffen and to Sir Robert
Armstrong.

KJ

K J
11 November 1980

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB



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