



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/17618/80

Your ref:

17 November 1980

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PUBLIC EXPENDITURE: IMPLICATIONS FOR PSA

You wrote to me on the 7 October asking about the allocation within PSA of the July Cabinet savings (which for PSA totalled £9m in 1981-82 and £5m each in 1982-83 and 1983-84), I now of course also have to deal with the implications of the further £10m saving on the PSA PESC which you asked for at the bilateral and which in the face of the acute economic problems we face I felt obliged to accept.

There are no easy options here. PSA provides a service in support of Departments' operations, and cuts thus directly affect Departments' ability to do their job efficiently. The cuts already imposed on PSA have taken up almost all the room for manoeuvre; colleagues collectively will have to accept the consequences of these further reductions.


I had already allocated £5.6m of the July Cabinet cut to major new works. I do not see any alternative but to increase this cut by a further £3m. Annex A attached shows on the basis of an assessment by my officials how such a cut might be allocated. Schemes in Category A could still go ahead; these seemed to be projects which we could not avoid undertaking. Those in Category B whilst accorded high priority by Departments, seemed capable of being deferred if the public expenditure position required this, and they have accordingly been left out of the 1981-82 starts. As the Annex shows this still could leave some scope for starting those schemes in 1982-83 but I do not think that in current circumstances we should seek to settle more than the programme for the coming year. The one exception is computerisation of PAYE where I have shown the total cost, including new starts, in each of the three years. It is worth emphasising that this now takes by far the biggest slice of available funds, although it is a new requirement; it was not included in our 1979 plans, which were subsequently cut by over two-thirds. Many other schemes of considerable importance have been displaced to make way for this requirement. I will of course be ready to look at suggestions from colleagues on the priorities suggested, but I find it hard to see scope for adjusting the scale of resources available for new projects in 1981/82.

Of the £9m cut previously agreed for 1981-82, £3.4m was allocated to running costs. To meet the £10m target, I will have to find another £7m here. Staff savings I have determined for PSA (6.5% in 1981-82) are already allowed for in the figures, and I have in addition to meet increased consultants fees. And much of our expenditure is already committed to payments under existing contracts or leases, or to fuel and utilities. So we have no alternative to cancelling or deferring many of the smaller adaptation schemes in existing buildings which are needed for operational reasons (eg Unemployment Benefit Offices)

and cutting down yet further on maintenance, and this will apply to not just offices but Courts, Special Hospitals and a number of other specialised buildings. This will inevitably affect the efficiency of Departments just as much as cuts on the major works projects we have been considering, perhaps more so; we are talking about cutting back on the basic repair and maintenance of the buildings, and hence the operations of government, depend. But I believe that for 1981/82 this is something we must face up to.

I have in this letter dealt only with 1981/82. We need time to consider the implications for the later years of the PESC period of the further £10m in each of these years that you imply, and I must reserve my position on this.

As you suggested I am copying this letter and its Annexes to other members of the Cabinet, Norman Fowler and to Sir Robert Armstrong.

Yours ever  


MICHAEL HESELTINE

PSA Office and General Accommodation

NEW STARTS 1981/82

ANNEX A  
September 1979 prices

| Total<br>Estimated<br>Cost | 1981/2 | 1982/3 | 1983/4 |
|----------------------------|--------|--------|--------|
|----------------------------|--------|--------|--------|

## CATEGORY A

Replacement Premises

|                            |  |       |       |       |       |
|----------------------------|--|-------|-------|-------|-------|
| IR Bishop Auckland         | Existing office subject of confirmed compulsory purchase order   | 0.175 | 0.175 | -     | -     |
| DHSS Newcastle. St James   | Landlords (Post Office) have served notice to quit; they require for their own urgent purposes   | 0.120 | 0.120 | -     | -     |
| DHSS Johnstone             | Temporary occupation; landlords not willing to extend.   | 0.510 | 0.250 | 0.250 | 0.010 |
| MOD Rehousing              | Notice to quit the Adelphi: lease expiring; landlord will not renew  | 0.790 | 0.200 | 0.350 | 0.240 |
| DHSS Berwick               | Previously shown as a scheme to relieve overcrowding. Existing office now subject of notice to quit as landlord has received permission for redevelopment. | 0.245 | 0.200 | 0.045 | -     |
| C&E Empress State Building | Existing leases of present accommodation elsewhere expire in 1982 and 1985; cannot be extended.  | 0.200 | 0.080 | 0.120 | -     |
| CE Royal London House      | Notice to Quit - provision of alternative accommodation in Woburn Place  | 0.120 | 0.100 | 0.020 | -     |

Operational Requirements

|                              |   |       |       |       |       |
|------------------------------|---|-------|-------|-------|-------|
| IR Durrington                | Schemes to provide accommodation or accommodation services to enable essential existing computers to be replaced. | 0.790 | 0.450 | 0.300 | 0.040 |
| IR East Kilbride             |   | 0.400 | 0.250 | 0.150 | -     |
| IR Liverpool, Victoria House |   | 0.380 | 0.240 | 0.055 | 0.085 |
| MAFF Guildford               |   | 0.300 | 0.200 | 0.100 | -     |
| PGO Crawley                  |   | 0.280 | 0.140 | 0.100 | 0.040 |
| DVLC Swansea                 |   | 3.165 | 0.500 | 0.800 | 1.600 |
| CSD Chessington              |   | 0.150 | 0.145 | 0.005 | -     |
| Procurator Fiscal, Glasgow   | To assist Courts programme  | 0.465 | 0.050 | 0.300 | 0.115 |

New Government Programmes

|  |   |        |       |       |       |
|--|---|--------|-------|-------|-------|
| IR Computerisation of PAYE                   |   | 20.235 | 1.300 | 1.910 | 6.700 |
| DHSS Computerisation of unemployment benefit | Cost not yet known: no provision made at present. | -      | -     | -     | -     |

TOTAL  
CATEGORY A

|       |       |       |
|-------|-------|-------|
| 4.400 | 4.505 | 8.830 |
|-------|-------|-------|

CATEGORY B

SCHEMES DEFERRED

|                                  |  | TEC   | 1981/2 | 1982/3 | 1983/4 |
|----------------------------------|--|-------|--------|--------|--------|
| <u>Defence Security</u>          |  |       |        |        |        |
| MOD Bath, Foxhill                | Occupational services for computer aided design of ships. Implications: delay to staff and other savings   | 0.120 | 0.080  | 0.040  | -      |
| MOD Bath, Ensleigh               | Provision for computer based stores system (part of wider MOD funded programme)  | 0.120 | 0.100  | 0.020  | -      |
| GCHQ Oakley - F&G II             | Refurbishing existing computer areas.  | 0.550 | 0.045  | 0.405  | 0.100  |
| MOD Old War Office               | Move of Defence Data Processing Service from the Metropole. Defer by installing second processor in Metropole. Increased expenditure in later years to achieve move by end of lease. | 2.575 | 1.187  | 1.200  | 0.188  |
| MOD, Communications Centre       | Occupational services to improve power supplies. Implications: possible failure of communications.   | 0.325 | 0.120  | 0.040  | 0.165  |
| <u>New Government Programmes</u> |  |       |        |        |        |
| DTp - Driving Test Centres       | Programme to cope with reduction of waiting period for driving tests - Implications: longer waiting lists.   | 1.030 | 0.400  | 0.200  | -      |
| <u>Replacement Premises</u>      |  |       |        |        |        |
| JOB Beverley                     | Scheme now to be a private developer scheme.   | 0.770 | 0.375  | 0.395  | -      |
| WOAD Aberystwyth                 | Possibility of a lease extension   | 0.790 | 0.012  | -      | 0.050  |
| MAFF Truro                       | Scheme to replace an old building which is structurally unsound. Lease to be extended  | 0.870 | 0.220  | 0.200  | 0.200  |
| <u>Operational Requirements</u>  |  |       |        |        |        |
| DOT AIB Farnborough              | Scheme to colocate staff now in Victoria and Farnborough. Implications: delay to savings   | 0.750 | 0.280  | 0.400  | 0.060  |
| DHSS Fleetwood (Fylde)           | Accommodation for replacement computer. Deferred start may be practicable.   | 2.800 | 0.630  | 2.000  | 0.170  |

CATEGORY B

SCHEMES DEFERRED (Contnd)

|  |  | TEC    | 1981/2 | 1982/3 | 1983/4 |
|--|--|--------|--------|--------|--------|
| CSO Gt George Street                       | Extra accommodation for computers that handle Treasury/CSO forecasting. Ministerial decision not taken. Computer capacity running out. Implications; limit to forecasting capability | 0.475  | 0.400  | 0.075  | -      |
| JOB Buckie                                 | <i>Relieving to improve operational efficiency</i>   | 0.515  | 0.240  | 0.240  | 0.035  |
| <u>Overcrowding and Working Conditions</u> |  |        |        |        |        |
| JOB Wick                                   | To relieve severe overcrowding   | 0.160  | 0.135  | 0.025  | -      |
| DHSS Redhill                               | Scheme to bring vacant accommodation into use  | 0.120  | 0.120  | -      | -      |
| DE Southwick                               |  | 0.175  | 0.010  | 0.165  | -      |
| DE South Shields                           |  | 0.140  | 0.140  | -      | -      |
| DE/DHSS Houghton-le-Spring                 |  | 0.370  | 0.455  | 0.400  | 0.015  |
| De Liverpool (Belle Vale)                  | Offices which are severely overcrowded and in some cases substandard   | 0.205  | 0.180  | 0.025  | -      |
| DE Shotton                                 |  | 0.360  | 0.030  | 0.100  | 0.300  |
| DHSS Bells Hill                            |  | 0.100  | 0.080  | 0.020  | -      |
| JOB Newtown                                | Replacement of temporary and unsound accommodation.  | 0.775  | 0.025  | 0.100  | 0.500  |
| OPO  | Scheme to install modern fire precautions  | 0.630  | 0.356  | 0.150  | 0.130  |
|  |  |        |        |        | -      |
| DE Marylebone (Lisson Grove)               | Work to meet HSE requirements on ventilation.  | 0.240  | 0.160  | 0.080  | -      |
| CE Fishguard                               | Participation in BR scheme for new permanent accommodation (now in portakabins).   | 0.140  | 0.080  | 0.060  | -      |
| DHSS Bridgeton                             | <i>relieving from substandard accommodation and provision of a separate local office.</i>  | 0.840  | 0.540  | 0.280  | 0.020  |
| DHSS Alexander Fleming House               | Improvement of air conditioning facilities   | 0.160  | 0.150  | 0.010  | -      |
| <u>Rationalisation of the Estate</u>       |  |        |        |        |        |
| DE Brownhills                              | To bring vacant accommodation into use   | 0.080  | 0.080  | -      | -      |
| Richmond Terrace                           | Possibility of privately funded scheme   | 13.250 | 1.150  | 0.900  | 3.200  |
| Stamford House                             | Payment to local authority for work to listed building they will then buy from PSA   | 0.160  | 0.160  | -      | -      |
| DOT (Various buildings)                    | Rationalisation following Rayner proposals which would produce some estate savings.  | 0.140  | 0.130  | 0.010  |        |

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