

Civil Service

Civil Service

cc



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My ref: H/PSO/16781/82

Your ref:

13 October 1982

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14/10

Dear Janet,

Many thanks for your letter of 30 September to David Edmonds giving your reaction to my Secretary of State's minute of 23 July concerning the possibility of a Property Division within PSA and the subsequent exchange of letters from other Ministers.

The main impact of the proposed Property Division, supported by a trading fund, would be to pursue further the practice of accountability with the Civil Service but also to provide a better basis for tougher commercial discipline within ~~PSA~~ and between PSA and the outside world. We endorse your hope that benefits that accrue from such greater accountability might at least in part be left to the discretion of the Departments how to redeploy those savings.

The details of the role of the Property Division are being examined within PSA and discussed (along with other restructuring proposals) at a PSA Senior Management Conference on 18 and 19 October. The Chief Executive intends to circulate a paper to client Departments shortly after that meeting as a basis for formal discussion. We are clear that there must be full discussion at official level before any firm proposals are put to Ministers.

Meanwhile, let me comment on some of the points you raise.

1. We do not think it is certain that Departments would need to take on specialised staff to handle Estates Management matters. As my Secretary of State pointed out in some of his responses to Ministers (for example, those to Lord Hailsham and to Nicholas Edwards) we intend to maintain the present role of DCA (Directorate of Civil Accommodation) in acting as advisers to Civil Departments on all property matters and in acting as the Treasury arm as far as scales of accommodation etc are concerned. As as DCA will be outside the trading fund and as the trading fund will be required by its terms of reference to charge 'market rents' we do not believe that individual Departments will find it either necessary or desirable to set up their own specialised staff in this area.

2. You are quite right in saying that the Whitehall area is special in that buildings cannot be readily exchanged. However it is probably true even in Whitehall that a more commercially attuned approach might cause us all to recognise more readily the cases where refurbishment could give a more effective use of buildings; and we have many buildings within a mile of Whitehall which are standard office buildings which could be interchanged with the private sector if necessary.

3. The position of Departments occupying buildings in less desirable parts of inner London is basically that they will - in due course and after the problems of transition - be given the right to say whether they wish to stay there or not. In most cases we expect that given the lower costs involved they may well decide to stay put but if they wished to move and could obtain the extra funds from the Treasury then the workings of the Property Division would make it easier for that change to take place.

There have been a number of informal meetings between PSA officials and yours. These will be followed by the formal meetings I mentioned in paragraph 3. These will enable firm recommendations to be determined, we hope by the end of this year. If as a result, Ministers agree that we should proceed with the setting up of a Property Division, we shall continue to consult with Departments on the details of implementation.

I am copying this letter to recipients of yours.

Yours sincerely,
Helen Ghosh

MRS H F GHOSH
Private Secretary

cc Mr Chipperfield
Mr Sample

Civil Service, Long Term,
P711

140 OCT 1982





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From the Secretary of State for Social Services

David Edmonds Esq
 Private Secretary to the
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 LONDON SW1

30 September 1982

Dear David

Your Secretary of State's minute to the Prime Minister about a Property Trading Fund was sent to Ministers inviting comments. I am sorry we have not responded earlier and other Ministers have commented meanwhile but we would like to add a few words.

We wholly support the steps which have been taken to make Departments more accountable for their property holdings, and to impress upon them the importance of maximising accommodation use. The Property Repayment Service which begins in April 1983 will have an important part to play, but we have as yet no experience of this scheme and we think a good number of points still remain for resolution. Not least those which concern the ability of Departments to redeploy savings from one year to another to improve buildings or step up essential maintenance. We are also conscious that the Property Repayment Scheme will involve Departments in some additional work and therefore the creation of additional posts.

We have seen no details of the Trading Fund proposals and it is therefore difficult to judge how far they will in practice contribute to better management of the estate, either centrally or by Departments individually. What seems certain is that Departments would need to take on specialist staff (which presently we do not have) to handle the estate management matters. Furthermore it is not clear how far accommodation in the Whitehall area could be readily exchanged, nor what the position would be of Departments who are currently occupying buildings in less desirable (and cheaper) parts of inner London.

For these reasons we think it would be helpful if the proposals you are preparing could be submitted for closer scrutiny before decisions are made, in principle or otherwise, about their feasibility.

We have a difficult task on advising NHS Authorities of the management of NHS land (for which they carry the main executive responsibility) and in February my Secretary of State set up a committee to examine the present arrangements and suggest how they might be improved.

I am copying this letter to Robin Butler (No 10), Cabinet colleagues and also Sir Derek Rayner and Sir Robert Armstrong.

Your av.
David

DAVID CLARK
 Private Secretary

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