

PRIME MINISTER

PROPERTY SERVICES AGENCY ADVISORY BOARD

The Secretary of State for the Environment proposes that the PSA Advisory Board should now be wound up, and the Board agrees.

The Secretary of State's views, in the letter attached, explain that although the Advisory Board had a useful function when it was first set up in 1980, it now has really nothing to do. The Secretary of State proposes, instead, to inject private sector experience directly into the PSA Board by adding three or four non-executive directors.

Sir Robert Armstrong, as you know, has been looking at the whole question of the future for the PSA. He has provided a report which broadly concludes that the PSA under its new Chief Executive has made good progress, and that though there is still some way to go on management performance, a further fundamental review at this stage is not called for and would be counter productive. Other departments are still commenting on Sir Robert's report, and I shall be submitting it to seek your views next week.

Meanwhile there seems no reason to hold up the abolition of the now redundant Advisory Board on this account.

MEFA

*Agreed* *mt*

MARK ADDISON

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24 January 1986

Dear Mark

#### PSA ADVISORY BOARD

Sir Robert Armstrong wrote to the Prime Minister on 14 January about the future arrangements for the PSA. One aspect not covered by Sir Robert is the future of the PSA Advisory Board which my Secretary of State has been considering with Nigel Mobbs, its Chairman, and with Gordon Manzie, the Chief Executive of PSA. This note is to let you know about some changes that they have now agreed should be made.

The Advisory Board was created by Michael Heseltine in 1980 as a means of providing the Secretary of State and the Chief Executive with authoritative private sector advice on a range of subjects, agreed annually with both. It currently has eleven members whose expertise covers a broad spectrum of activities of relevance to PSA's role in providing and managing the government estate.

There is no doubt that PSA has benefited from exposure to private sector expertise and opinion and the arrangements have worked moderately well, although the size of the Board was always probably too large. After conducting major reviews of the Agency's principal functions in its first few years, the Advisory Board's role has now become one which involved responding to proposals and initiatives taken by the PSA Chief Executive and management. This change of emphasis has been both inevitable and desirable, and makes best use of the limited time that people of the calibre that we have been able to secure are able to give. However, the Secretary of State thinks that this now needs to be reflected in changes in the way that the PSA receives outside advice.

It is in my Secretary of State's view, and that of the Chief Executive, vital for the Agency's role that it should continue to have a strong source of outside advice. However, he believes that, rather than have an Advisory Board reporting to him, it would be preferable to include 3 or 4 private sector people directly as members of the PSA Board where their advice would have more direct impact on the management of the Agency. The Secretary of State has therefore asked Mr Manzie to suggest 3 or 4 candidates from the private sector whom he might appoint to serve as non-executive directors on the PSA Board. These people will be selected to cover PSA's main functions in estate management, design and construction, and he would also want to include an accountant. He proposes to make the appointments of 3 years

duration so as to enable the expertise available to be varied to match any changes in emphasis in the Agency's work or problems, and to maintain a freshness of input. Initially, 2 of the present Advisory Board would be invited to stay on for a year or two to provide a suitable degree of continuity, but the idea would be to rotate the dates of appointment to the Board in future.

The programme of work of the present Advisory Board is virtually complete and Nigel Mobbs and his Board members agree unanimously that changes on the above lines should now be made. The Secretary of State therefore proposes to wind up the AB in the next month or so and to mark the occasion with a suitable farewell lunch or dinner to thank the members for the very considerable unpaid contribution that they have made.

The Prime Minister agreed the original proposal to establish the AB, at first only on an annual basis, and will wish to know what is now intended. The Secretary of State intends to make the arrangements known by means of a PQ.

Yours sincerely

Sue Vandervord

MISS SUE VANDERVORD  
Private Secretary

Mark Addison Esq

D. CF. To armstrong

MANAGEMENT IN CONFIDENCE

MR ADDISON

28 January 1986

PROPERTY SERVICES AGENCY

We agree that the uncertainties relating to the future of the PSA should be resolved, and would accept the points set out in paragraph 23 of Robert Armstrong's memorandum. We attach importance to improving PSA's relationships with client departments and its standard of service, particularly with regard to efficiency and value for money.

Paragraph 18 points to requests to departments to nominate project managers to control the PSA's work on departmental capital projects such as barracks, prisons and courts. This could make an important contribution to better control of contract costs, provided regular progress meetings are held on each scheme.

Where the PSA is itself responsible for the cost of capital projects, it should itself exercise similar supervision over each contract.

There are still establishments where the working conditions provided for civil servants are unacceptably poor. Annex B refers to a minimum maintenance backlog of £90 million. The PESC round has, reasonably, not provided extra funds for this purpose. Cannot the Civil Service management find savings to enable this problem to be overcome over the next two or three

MANAGEMENT IN CONFIDENCE

- 2 -

years, if necessary from the departmental budgets of occupying departments?

We welcome the reduction in voids from 5% to 4%, and hope this can be taken further. 1% represents 1 million square feet. The PSA does not, however, have full powers to exercise a "strategic estates management rôle for the civil estate" because the measurement of voids does not include under-used properties for which departments are content to be charged rent. PSA voids therefore represent a serious understatement of the amount of property which could reasonably be vacated and sold. With the proceeds of voids, it should be possible to redevelop areas of sub-standard accommodation with modern properties, or carry out comprehensive refurbishment.

We recommend that the Prime Minister should:

1. Accept the memorandum and welcome the improvements effected by the PSA.
2. Suggest that the PSA's six-monthly report should deal with supervision of contracts, whether for clients or internal purposes.
3. Press the Civil Service management to bring working conditions for civil servants up to an acceptable minimum standard.

MANAGEMENT IN CONFIDENCE

- 3 -

4. Encourage the setting of targets for release of surplus parts of the civil estate occupied by departments, in addition to the target for release of PSA's own surplus.
  
5. Request a brief six-monthly report on progress against target, with disposal of surplus properties and with replacement or refurbishment of sub-standard office accommodation.

*David Hobson* →

DAVID HOBSON

MANAGEMENT IN CONFIDENCE

CIVIL SERVICE

PSA

7/82

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