



SRW

10 DOWNING STREET

From the Private Secretary

21 March 1986

Dear Michael

REPORT OF THE INTERDEPARTMENTAL
COMMITTEE ON PROPERTY REPAYMENT SERVICE

The Prime Minister has seen Sir Robert Armstrong's minute of 12 March. She has approved the Interdepartmental Committee's report, noted its conclusions and agreed to their implementation.

I am copying this letter to the Private Secretaries to Cabinet Ministers.

Le
Mark Addison

(Mark Addison)

Michael Stark, Esq.,
Cabinet Office.

GA

Mitchell Hiday

PRIME MINISTER

REPORT OF THE INTERDEPARTMENTAL COMMITTEE ON PROPERTY
REPAYMENT SERVICE

You have now agreed the future of the PSA in broad terms, (MOD have still to sort out one or two points bilaterally with the PSA).

The Interdepartmental Committee on Property Repayment Service has now reported with its proposals for improving and extending the existing PRS system. Sir Robert Armstrong's covering note is at Flag A and the Report (which you do not need to look at, except for the first few pages) at Flag B. It recommends that most departments should take on increased direct responsibility for works up to £5,000, though those not wishing to do so will be able to negotiate with the PSA to remain on the existing system: experiments will be held to see whether Departments who wish to go further should be allowed to do so. Sir Robert endorses the report's conclusions and seeks the Prime Minister's agreement to them. They were of course foreshadowed in his report on the future of the PSA.

Particular points to note:

- (i) the new regime will give departments more choice about how to arrange their relationship with the PSA;
- (ii) Permanent Secretaries believe that if departments take on more responsibility themselves, there may be some net staff increases required, but they believe this in the end should produce improved value for money.

Approve the report and agree that its conclusions be implemented (they are summarised at paragraph 11 - see Flag B)?

Mark Addison

MARK ADDISON

20 March 1986

SL2AGD

Yes not

Ref. A086/810

PRIME MINISTER

ABG
(covering letter
only)

CF
PL of 22 Wednesday
11 19/3. Must 14/3

Report of the Interdepartmental Committee on
Property Repayment Service (PRS)

As you are aware, the PSA are now tackling a number of problems affecting the management and control of the Government estate. Proposals for improving and extending the existing PRS system, by which Departments pay PSA for the property they occupy on the Government's civil estate, are set out in the attached report. Permanent Secretaries have discussed the proposals and we are agreed that they will improve the balance of the relationship between PSA and its PRS clients. They will allow Departments a greater control over their own accommodation, while retaining PSA's central responsibility for strategic estate management. I should be grateful for your approval of the report and your agreement to implementation.

2. The Committee's conclusions are set out in paragraph 11 of the opening summary of the report. Most Departments would take on increased direct responsibility for works up to £5,000 and all internal decorations, together with greater financial control over certain new works through commissioning PSA on repayment terms. These arrangements are based on the Secretary of State for the Environment's proposals of last year. It will be open to Departments not wishing to take on additional responsibilities to negotiate with PSA to stay on the existing system. A few Departments, for whom accommodation is a major component in their big operational tasks (like DHSS and the Department of Employment) would prefer to go further than these proposals and experiments will be held to test the feasibility of a substantially greater degree of untying from PSA.



3. The Interdepartmental Committee that prepared the report is now undertaking further work on the funding of major new works and on the system of paying for work retained by PSA. It will report to Permanent Secretaries again on these matters by the end of March so that, if appropriate, changes can be made in the 1986 Public Expenditure Survey. It will also monitor the experiments in untying over the next two years and the working of the new system from April 1987. It will carry out a further review of PRS in 1988 in the light of progress achieved and experience gained. This will allow both PSA and Departments to concentrate on making a success of the current proposals before undertaking further major review.

4. The proposals have financial and staffing implications for Departments and for PSA. Departments will have to meet the costs of their new responsibilities within their general budgets and manpower and running cost targets, and the PRS accommodation charges made by PSA will be reduced to reflect the transfer of responsibility. Some manpower provision will also be transferred from PSA to Departments. Some Departments will have to consider whether they can take on the additional responsibilities because of difficulty in making the necessary finance and manpower available from their mainstream activities even after reallocation of resources from PSA. You will already be aware from recent Ministerial correspondence that several Ministers regard the provision in PES for the maintenance of the Government estate as seriously inadequate; and the transfer of responsibility now proposed could reinforce their views. Departments also feel that there is a trade-off between manpower numbers and value for money. The general view of Permanent Secretaries is that it may well be necessary to assign more staff resources to this work than will, in aggregate, be transferred to them from PSA but that provided this can be done the further devolution of responsibilities should produce a net improvement in value for money.



5. I am copying this minute to all members of Cabinet and Ministers in charge of Departments. Copies of this minute also go to all Permanent Secretaries and Permanent Heads of small Departments, who have already received copies of the report.

Robert Armstrong

ROBERT ARMSTRONG

12 March 1986

REPORT OF THE INTERDEPARTMENTAL COMMITTEE ON PRS

SUMMARY OF THE REPORT

1. PRS (Property Repayment Services) is a system for charging departments for the property they occupy on the Civil estate. It is also a means of clarifying the respective responsibilities of the PSA as estate manager and departments as authorities accountable for their own operations. Our report is about the system; it is also about the relationship between PSA and departments.

2. Our conclusions and recommendations are listed in full in section 14. The supporting analysis is set out in sections 6 to 8. A companion report by our subgroup on information requirements has been circulated separately to Principal Establishment Officers. The principal points from that report are contained here.

3. PRS started with Lord Rayner's view that departments needed to have the cost of their accommodation brought home to them by a simple system of recharging, so that some of the resource consequences of operational decisions would be readily apparent. What has emerged to date is far from simple. However, the friction which exists at present and which was highlighted in the MDR is only in part due to the elaborate accounting rules, delegations and procedures which were devised to give practical effect to the original concept, although these have certainly made it more apparent. The strains and stresses within the system are to a large measure attributable to differing perceptions of what responsibilities departments should have in respect of accommodation under the Financial Management Initiative on the one hand, and on the other hand the traditional role of PSA as central manager of the civil estate and as the primary source within government of professional and technical expertise on works services. This basic problem has been exacerbated by shortages of funds and resources which have made it more difficult for PSA to adjust to a new relationship with its clients, and have led to increasing frustration on the part of departments.

4. Were the problems of funding (see Section 11 of our report) to be resolved the question of the relative responsibilities of the PSA and departments might be disguised but would remain to be settled. This report recognises the wide spectrum of views within the Committee as to the best balance, but offers a practical way forward.

Analysis of the relationship between PSA and departments

5. The key issues concern the extent to which financial and functional responsibilities are to be shared with departments. Three different arrangements can be illustrated in terms of the issues reviewed in section 8 of the report, depending on where the decision to spend is made and on whether PSA or the department orders the work.

(a) departments pay the charge, but responsibility for initiating work remains with PSA. PSA controls expenditure and determines the priorities on maintenance and new works, leaving departments to pay a pro rata share of PSA's estimated aggregate expenditure on the estate as a whole.

This serves the purpose of registering accommodation costs - the original intention of PRS. The purest form of this is the opportunity cost rent (which we discuss in 8.2 of our report). The "club subscription" for works services gives departments only a generalised cost signal, but not necessarily an accurate one in relation to particular buildings. It leaves unanswered the issues of what information departments should be given about PSA's actual expenditure on their occupations and what their involvement should be in the

planning of the expenditure (see section 8.3 on the club subscription and 8.9 for our proposals on joint planning and liaison). This arrangement raises in its most acute form the question of departments' responsibility to control resources needed to discharge their operational work, while preserving PSA's role as estate manager.

(b) departments decide to commission the work. But PSA retains the task of designing and executing the work; and charges departments the expenditure it has actually incurred.

Commissioning the work means that departments have direct financial responsibility but they are still able to benefit from PSA's professional and technical expertise and PSA is able to ensure through its advice to them that the structural integrity of the property is safeguarded and generally to carry out its responsibilities as the property manager. It is necessary to define which works should be thus commissioned and which retained under PSA controls and to settle disputes over timing and priority when PSA does not appear to be able to meet departments' requirements. We deal with this more fully in 8.6.

(c) departments operate under full delegation; they decide to initiate work, and order the work direct; they pay for what is done.

Full delegation or untying means that departments not only pay for but are themselves responsible for specifying and executing the work without PSA as an intermediary. It leaves a residual need to liaise with PSA on estate management matters without indicating either the form or substance of such contact. It thus raises in reverse form the acute problem referred to in (a) above. In our view this approach is constrained by the practical issue of how far this can be taken for implementation in 1987, taking account of the financial and manpower implications particularly for smaller departments. The present system already has full delegation for works under £1,000. We look at the adequacy of this limit in 8.3 and deal with the scope for full delegation on internal decorations in 8.5. Untying could go much further than this. More radical propositions and experiments to test their effects are outlined in 9.4.

Practical options

6. We have proposed three options for the future of PRS that broadly speaking reflect the analysis sketched in the previous section. The options have been labelled "traditional", "standard" and "radical"; in the last case we have not felt able to proceed beyond recommendations to undertake empirical study in order to establish the feasibility of the option.

7. We consider that the proposals we have put forward as the standard option for implementation in 1987 would represent a better balance of responsibilities between PSA and clients than the present system. Increasing the minor works delegation to £5,000 will give departments more scope for dealing direct with day to day works expenditure in their offices. The proposals for commissioning from PSA certain minor new works above £5,000 will give departments financial responsibility for their most common operational needs, and the proposed safety valve will allow them to go through consultants or direct to contractors in those cases where it can be clearly shown that PSA cannot meet their requirements. The delegation of internal decoration will give departments the opportunity to take direct responsibility for the look of their offices - and office environment can be an important factor in staff morale.

8. Some caution is needed. Though we judge that the standard option should be within the capacity of most departments, we recognise that some may have difficulty

in coping with the significant extra responsibilities involved, and that there is a need to weigh carefully the financial and manpower implications. We recommend that departments wanting to remain on the traditional option should open discussions with PSA who should report back to IDC on the outcome by end March 1986. We do however draw attention to the problems which could arise for PSA and client departments in operating different systems unless the exceptions to the standard option are relatively few and as far as possible restricted to smaller departments with only a limited degree of joint occupation on the estate.

9. Through the proposed experiments on the radical option DHSS and DE will be exploring the feasibility of taking on a large measure of the technical works services which PSA at present provide. Our proposals for a new formal system of joint planning and liaison and for a better flow of information between PSA and client departments should ease the operation of PRS at local level and help to ensure a more concerted joint effort to tackle common problems, and make the most cost effective use of limited resources. Our suggestions in section 12 for monitoring the effect of our proposals will enable PSA and departments alike to form a more objective view of the impact of PRS. The action plan in section 13 should help to ensure a smooth lead in to implementation in 1987.

10. The results of the experiments on the radical option will be available in the course of 1988 and by that time departments generally will have had sufficient experience of the standard option for a judgement to be made on whether further development in PRS is justified. We recommend that this Committee should remain in existence to oversee the implementation of our proposals and to deal with any further issues which may subsequently arise. We do not rule out the possibility of some further development of PRS over the interval to 1988, but we feel strongly that there is now a need for a period of relative stability and consolidation and that if our proposals are accepted there should be no further major review on this scale until 1988.

Conclusions

11. Permanent Secretaries are invited to consider the report, noting in particular section 10 on application of the options and section 11 on financial and manpower effects, and to endorse generally the conclusions and recommendations summarised in section 14. The main propositions to be considered are as follows:-

- a. that the immediate options are a traditional option (representing the existing system of PRS) and a standard option (comprising an extended minor work delegation of up to £5,000 per job, full delegation on internal decoration, departments commissioning PSA on repayment terms for minor new works as defined in Annex 5, and safety valve arrangements as set out in Annex 6 for those minor new works up to a £25,000 per job limit); (9.2.1)(9.3.1)
- b. that as far as practicable there should be a general move by departments onto the standard option commencing 1 April 1987, although we recognise that some will need to remain on the traditional option; (10.5.3)
- c. that those departments intending to stay on the traditional option should seek to reach agreement that they should do so; that PSA should report back to the IDC by end March 1986 on the outcome of the negotiations; and that if need be the IDC should thereupon report back to Permanent Secretaries on any outstanding issues; (10.5.3)
- d. that experiments to test the scope and practical implications of a radical option (removing the technical exclusions and untying departments for maintenance up to £100,000 per job, and for all minor new works - up to £150,000) should proceed under the monitoring arrangements proposed in section

9.4.6 to 9.4.12 of the report; and that the radical option be further reviewed once the experiments have concluded (end March 1988) and the results have been assessed; (9.4.12)

e. that once PSA has made available the figures for actual expenditure on departments' occupations the IDC should consider a further paper on the system of charging for minor new works and maintenance retained by PSA (the club subscription); (8.3.20)

f. that the IDC should prepare a further report to Permanent Secretaries, by no later than end March 1986, on the arrangements for funding major new works; (8.7.6)

g. that the IDC should remain in being to oversee implementation of the recommendations in this report and to deal with any other issues on PRS of general concern to departments which may be referred to them; (paragraph 10 above)

h. that the action plan set out in section 13 should be endorsed; (13.1) (13.2)

i. that there should be a further major review of PRS in 1988 in the light of the experiments on the radical option and of experience with the standard and traditional options (paragraph 10 above).

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1. THE IDC - COMPOSITION AND TERMS OF REFERENCE

1.1 History of the IDC

1.1.1 The IDC was set up at the initiative of the central departments in April 1983. It was intended that the Committee would be able to alleviate or resolve any problems with the new PRS system as they arose. It would also look forward at a number of issues that needed to be resolved before the final form of PRS could emerge. The terms of reference of the original committee were:

"to consider how PRS may be developed and improved and to make recommendations"

1.2 Composition

1.2.1 The Committee was chaired by the Principal Finance Officer of PSA with representation from the other central departments - Treasury and MPO and client departments. When it was first set up only 4 client departments were invited to be represented; Inland Revenue, DHSS and Department of Employment because of their large regional organisations and MAFF because of its interest in specialised accommodation.

1.2.2 Several refinements have been made to the PRS system at the recommendation of the Committee, including the increase in the minor works limit from £500 to £1000 in April 1984.

1.2.3 On 10 July 1985 Permanent Secretaries decided that the IDC should be enlarged to make it more representative and in order to consider the findings of the Multi Departmental Review of Accommodation (MDR) which were relevant to PRS. The membership was therefore expanded to include the remaining departments involved in the MDR (Environment and Transport, Energy, Trade and Industry and Customs and Excise) and two others (Foreign and Commonwealth Office and Ministry of Defence).

1.3 Terms of Reference

1.3.1 In order to fulfil the remit from the Permanent Secretaries' meeting the terms of reference of the enlarged IDC were defined as:

"To consider how PRS should best be developed in the light of the Multi Departmental Review of Accommodation, the proposals made by the Secretary of State for the Environment, and the views expressed by departments, with a view to making recommendations to Ministers for implementation by 1 April 1987"

1.3.2 The purpose of this report is accordingly to set out the Committee's recommendations and the factors which it has taken into account in arriving at them.

2. MEMBERS OF THE IDC

CENTRAL DEPARTMENTS

Mr M V Hawtin	PSA	Chairman
Mr R G S Johnston	PSA	
Mr J A Owen	PSA	
Mr A C Wyatt	PSA	
Mrs G M Holt	PSA	Secretary
Mr D R Instone	HMT	
Mr R J Meadows	HMT	
Mr D A Fowler	HMT	Secretary
Mr E A Whitear	RCPD	
Miss E M Goodison	MPO	

OTHER DEPARTMENTS

Mr P J Andrews	MOD	Mr C Hook	DOE/DTp
Mr M H Atkinson	DEN	Mr V Matthews	C&E
Mr D Corry	DE	Mr R D McLean	DHSS
Mr D A Crampin	MOD	Mr J E Nunn	MAFF
Mr K J Doyle	DTI	Mr J Tudor	IR
Mr D Harris	FCO	Mr B Verity	DE
Mr D M Harrison	FCO		

3. PRS TO DATE: ORIGINS AND DEVELOPMENT

3.1 600 Years of Central Control - An Historical Perspective

3.1.1 The system of central management of Government buildings has a long history. It can be traced back as far as 1378 when John Blake was appointed Clerk of the King's Works bringing responsibility for the construction of Crown buildings under central control for the first time. By the accession of James I there was a well defined Office of Works largely controlled by the master craftsmen. The permanent staff, which included directly-employed labourers allocated to particular buildings, did not exceed 40 until the end of the 18th century.

3.1.2 The construction of government offices was placed entirely under Office of Works control in 1828, after a large scheme put out to a private contractor failed disastrously. In 1851 the Office of Works became directly responsible to Parliament, with the First Commissioner of Works as its political head. The Commissioners had power to "buy, take or accept any hereditament necessary for the public service and to sell or lease any so taken." This power was entirely subject to Treasury instructions. After 1851 responsibility for maintaining Crown buildings passed gradually from departments to the Office of Works until in 1870 a Director of Works and Buildings was appointed to supervise all government buildings. The last department to control its own maintenance - Customs and Excise - lost that role in 1877 and by 1914 the Office of Works had 800 staff and was responsible for 3300 buildings.

3.1.3 The First and Second World Wars saw a great increase in the activities of the Office of Works, housing Civil Servants and also building hospitals. In 1940 the organisation became the Ministry of Works, which enabled Parliament to take closer control of the allocation of scarce resources during the war years. Its name was again changed in 1962 to the Ministry of Public Building and Works. In 1970 it became a part of the newly-formed Department of the Environment.

3.2 The PSA

3.2.1 In 1970 Sir Derek Rayner (then special advisor to the Government) suggested that "departments" be set up for construction and supplies. Various studies were then undertaken into how such an organisation could be set up "to develop management accountability, to improve efficiency and effectiveness." From the conclusions of these reports it was decided to set up a departmental agency which would deal with both construction and property management, but would have no major field of policy. It would be headed by a Chief Executive as Accounting Officer and would come into being on 1 September 1972. The Property Services Agency as it was called was to "put to best use the land and buildings of the Government Estate".

3.3 The Origins of PRS

3.3.1 In March 1980 an Inter Departmental Group consisting of representatives of Treasury, PSA, CSD, and Sir Derek Rayner's Office was set up to enable Sir Derek Rayner to submit proposals to Ministers on the principle of repayment for PSA services. The intention, in line with the Government's general aims for Civil Service management, was "to give the Civil Service manager a greater degree of awareness and responsibility for the overhead costs he is incurring in administering his programmes and policies."

3.3.2 Rayner's InterDepartmental Group took as their objective the formulation of proposals which would meet the following criteria:

- a) to ensure consciousness in departments of the costs of the accommodation services incurred by them;
- b) to provide an incentive for economy and efficiency in the use and control of accommodation services at the point where the demand arises;
- c) to ensure effective central management and maintenance of the government estate and government building programmes.

It would also have to meet the criterion that financial transactions between departments should be avoided unless they served important purposes of presentation or financial control.

3.3.3 Rayner felt that there was a need for payment "to sharpen the sense of responsibility" but recognised the possible costs of setting up and running repayment systems. He therefore suggested that a simpler system than traditional repayment should be sought. The Inter Departmental Group therefore investigated various options ranging from the status quo of allied service to full repayment of actuals.

3.3.4 The Group chose a system of modified repayment which with some development became the PRS system. Its main features were:

- an accommodation charge to include rent, rates, maintenance and minor new works above £500, calculated on a per square metre basis with different charges for office, storage and specialised accommodation. Average market rents were applied for office and storage properties with zone and quality banding in London
- departments to take on responsibility for minor works under £500 subject to technical exclusions and with PSA retaining responsibility for the building as a whole
- PSA to retain responsibility for estate management and rationalisation
- fuel and utilities to be charged on actuals
- supplies services on repayment
- PSA resource costs to be included in the accommodation charge
- Defence and overseas Diplomatic properties were not included although MOD and FCO civil properties would be included

3.3.5 Rayner reported to the Secretary of State for the Environment that this system would provide an incentive whilst avoiding the "bureaucratic clutter" that was associated with traditional repayment. He agreed with the Group that there should be a constructive dialogue between PSA and departments concentrating on ways of reducing the estate but not on the detailed make-up of the accommodation charge. Rayner was also very much in favour of the common user estate principle and that PSA should retain its central estate management role.

3.3.6 The Group did not believe that savings in total accommodation costs resulting from the new system could be quantified but felt that only a small percentage saving would be required to cover the cost of setting up the system.

3.3.7 Rayner and the Group put forward their proposals as a "workable first step" and included possible future developments in their reports. These included the possibility of refinements to the system of rent charging, the imposition of

penalties on departments blocking estate rationalisation, bringing the Defence and Diplomatic estates into line with PRS and also bringing traditional repayment customers into the PRS system. It was also recognised that there would be problems in introducing the system and that these would have to be ironed out in the light of experience. Rayner therefore suggested that a development group be set up to consider the system's future.

3.3.8 The PRS system was introduced in April 1983 very much as it had been proposed, but without the benefit of a suggested trial run in 1982/83. The first meeting of the development group also took place in April 1983.

3.4 The Interdepartmental Committee on PRS

3.4.1 The IDC was set up to fulfil the requirement for a development group. Unlike the IDG that had produced the report to Rayner this Committee included departmental representatives from outside the central departments.

3.4.2 Even before the introduction of PRS various issues had already come to light that the Committee would need to consider, in addition to those identified by the IDG. These included: exclusions from PRS, charging systems for vacant accommodation, the minor works limit and the method of billing for fuel and utilities.

3.4.3 It was quickly agreed that the accommodation charge should be broken down building by building rather than only into PSA Regions. Agreement was also given to a change in the system of estimating areas for the accommodation charge; the area charged for each financial year would be the actual area occupied on 30 September. During the first 3 quarters of the year a provisional amount would be recovered based on the previous year's area of occupation. In the 4th quarter the balance of the charge due for an agreed area of occupation as at 30 September would be claimed. Both of these changes were agreed at the first meeting. The Committee also agreed at an early meeting to work towards the use of individually assessed rents and to an increase in the Minor Works limit. PSA also agreed to carry all viable vacant space on its own charge.

3.4.4 The idea of having different minor works regimes for different departments was rejected as being too complex and removed from the intended simplicity of the system. Also rejected was the idea of direct billing for fuel and utilities. The arguments on the latter point were put forward again in 1985 (see section 3.8). The question of incentives to give up space was discussed but no solution was reached that could overcome the key problem of inability to carry savings into the following year. The future delegation of internal decorations was also suggested.

3.5 IDC Report in July 1983

3.5.1 An IDC report in 1983 recommended various changes for implementation in 1984/85. They were:

- a) a building by building breakdown of the accommodation charge;
- b) the change from forecast to actual areas as the basis of the accommodation charge;
- c) viable vacant space to be borne on the PSA charge;
- d) Minor Works limit to be raised to £1000;
- e) Minor Works to include grounds maintenance.

3.5.2 The report also recommended delegation of responsibility for internal decorations over £1000 on a repayment basis some time after April 1984 and the introduction of individually assessed rents in 1985/86. It also suggested that further work should be done to prepare for the delegation of internal decorations and on information on fuel and utilities. Mr Gow wrote to Ministers on 17 August 1983 commending the report.

3.5.3 A seminar for accommodation officers was held in November 1983 to explain the proposed changes. Similar seminars had taken place before the introduction of the system in April 1983, including one for the Council of Civil Service Unions, and formed part of the efforts made by PSA, both centrally and in the Regions, to impart knowledge of the system before its introduction. Seminars have also been held subsequently and have given valuable feedback from departments on how the system could be developed.

3.6 Recent Work of the IDC

3.6.1 Following the acceptance of its report the IDC continued to work on issues including: individually assessed rents and rates, incentives to give up space, fuel and utilities, further delegation of minor work, and the roles and responsibilities of PSA and the issues of passing rent and rates.

3.6.2 On internal decoration it was decided that experiments should take place before delegation. The proposal to introduce individually assessed rates was accepted and it was decided that both should be introduced for 1986/87 rather than 1985/86. Quinquennial reviews for rents were also accepted in principle as was payment of rates on vacant space.

3.6.3 Given the agreement of the Committee to the above changes PSA then turned to producing a paper setting out its views on the future development of PHS. The proposals were discussed initially by the IDC and then put to Ministers and Principal Establishment Officers in April 1985. A large number of comments were received and further points were made when PSA's proposals were discussed at the Permanent Secretaries' meeting on 10 July. The Permanent Secretaries' meeting gave the IDC a remit to work up the PSA package and to look further at other options. It also recommended that the IDC be enlarged to include representatives from a small department, from MOD, and from those departments involved in the Multi Departmental Review of Accommodation who were not already represented. The considerations and conclusions of the expanded IDC constitute the main body of this report.

4. FINANCIAL MANAGEMENT INITIATIVE

4.1 The Financial Management Initiative, launched in 1982, required each department to develop systems in which managers at all levels would have:

- a clear view of their objectives, and means to assess, and wherever possible measure, outputs or performance in relation to those objectives;
- well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
- the information (particularly about costs), the training and the access to expert advice which they need to exercise their responsibilities effectively.

4.2 In response to the FMI, departments have developed and are still developing budgetary control systems which make managers accountable for the resources they consume in relation to the results they achieve. Among these resources is accommodation.

4.3 The Property Repayment Services system was developed independently from the FMI, but reflects very similar thinking about the requirements of good public sector management, and the same broad policy imperatives. It was designed both to bring directly home to managers the cost of the accommodation resource, and also, through the minor works delegation, to provide them with a degree of immediate control over expenditure on their accommodation. The extent to which departments have so far devolved responsibility for budgeting for accommodation and for ordering minor works within their organisations has varied. But, even where a central accommodation manager remains responsible for the department's accommodation budget, the introduction of PRS has exposed the limited extent to which departments are themselves in command of the resource, and revealed more clearly than before the tension between PSA's responsibility for central management of the estate and departments' responsibility for making the best use of their resources and maximising their own operational efficiency. The tension has grown as departments have developed their own responses to the FMI, and some have increasingly come to see features of PRS as constraints on their ability to improve accountability and ensure value for money in relation to accommodation.

4.4 Awareness of this tension has led to conflicts and problems, many of which are considered in the following sections of this report. For example, PSA's central responsibility for the economic management of the estate may point to housing a department in a Crown building in one location while the department may feel it can achieve better value for money in terms of its own inputs and outputs if it is housed in a leased building elsewhere. Again a department may judge that the motivation and performance of its staff is seriously impaired by shabby surroundings and demand a redecoration programme from PSA. But PSA may conclude that its very limited central maintenance funds are better spent on repairing another department's leaking roof.

4.5 Departments have also found that some aspects of PRS do not lend themselves well to incorporation in systems of devolved budgeting for running costs. In particular, the method of charging for maintenance and minor new works through a unit rate "club subscription" means that in any one year the charge levied on a department's holdings may bear little resemblance to PSA's actual expenditure on those buildings. And at the level of individual cost outlets in headquarters buildings the amounts charged are likely to be even more loosely related to the immediate works requirements of the units of accommodation concerned. On the other hand, the irregularity and unpredictability of much maintenance work, and the impossibility of carrying over funds from one year to the next, lead to extreme

difficulties in budgeting accurately on an annual basis for expenditure individual properties or relatively small groups of properties. It might be argued that these difficulties can be alleviated either if maintenance budgets are controlled centrally within departments or if funding is managed centrally for the estate as a whole.

4.6 The problem is that what may be genuinely the best use of resources if judged in a departmental context alone may look very different if set against the background of the government estate as a whole, and vice versa.

4.7 We do not believe that this tension can be entirely eliminated from the management of the Government's civil accommodation. The main aim must rather be to find ways of using it constructively to improve the quality of management of accommodation, and to ease some of the day-to-day points of friction between PSA and departments that at present lead to frustration and disagreement on both sides. The creation of such tension by the FMI is not unique to the area of accommodation. Departments are finding much the same problems internally in defining the role of central finance divisions in relation to policy and executive divisions. Just as these problems are having to be resolved by establishing a workable balance between the centre and line management so we believe it is necessary to strike a balance in departments' relationships with PSA on accommodation. The optimal point of balance may be different for different departments, and we discuss the implications of this in sections 9 and 10.

5. MULTI-DEPARTMENT REVIEW OF ACCOMMODATION

5.1 The combination of the launch of the Financial Management Initiative and the introduction of the Property Repayment Services system led to much increased responsibilities for accommodation managers in departments and for line managers in relation to accommodation. In addition, it exposed the tensions between departments and PSA described in sections 6 and 8. The multi-department review of accommodation therefore set out, using the scrutiny technique, to examine the management of accommodation in departments and what improvements were necessary, together with the way that the efficiency of departmental management of accommodation was affected by the structure of relationships between the Treasury, PSA and occupying departments.

5.2 The review identified the need for departments to improve their planning, budgeting and information systems for accommodation so as to allow more positive and effective management of an important resource. Line managers need to be more aware of their costs and accommodation managers need to be trained to make the most effective use of space and to obtain value for money in the areas of responsibility delegated to departments. Both line and accommodation managers need clear responsibilities, if they are to be held accountable for their use of accommodation. Line managers ought to be made accountable through budgeting systems and accommodation managers' performance ought to be measured and targets for improvement set.

5.3 As far as departments' relationship with PSA is concerned, the review recommended a clarification of responsibilities and a greater flow of information between departments and PSA, so that each side knows what to expect from the other and each side's objectives are clear. The review also suggested certain developments to the PRS system to extend delegation to departments to allow them more authority over the resources they consume, while retaining PSA's overall responsibility for the civil estate. The aim is to integrate accommodation more closely into departments' systems to achieve a clearer link between accommodation resources consumed and operational performance, in accordance with the principles of the FMI.

6. CENTRAL MANAGEMENT OF THE CIVIL ESTATE

6.1 Size and Shape of the Estate

6.1.1 As at January 1985 the total area of the civil estate was 10.1 million m², of which 6.6 million m² was office, 1.6 million m² storage and 1.9 million m² specialised (courts, laboratories etc). There are 47 PRS clients using the civil estate (excluding PSA itself). At Annex 1 there is a full list of PRS clients with details of the total size of their occupations, and the percentage these represent of the civil estate. Of the office estate over 40% is in multiple-occupation. Some clients (including DHSS and Employment) have between 60% to 70% of their offices shared with one or more other departments.

6.1.2 The asset value of the estate was estimated at just under £3 billion in 1982. (The largest private sector property company has assets of £1.8 billion). Of the office estate some 40% is freehold and 60% leasehold. PSA's outgoings on rents and service charges will be some £230 million in 1985/86 and receipts from disposals are estimated to be £19 million. At February 1985 some 5% of the estate was held as surplus awaiting disposal or allocation. Since March 1980 the size of the estate has been reduced by 3% overall (by 6% for office).

6.2 PSA's Objectives for the Management of the Estate

6.2.1 As central manager of the civil estate PSA is required by its Ministers:

- a. to provide economically and efficiently for the present and planned future needs of civil clients within the constraints of PESC and voted expenditure;
- b. to hold an estate to meet objective a. and to dispose of any surplus accommodation quickly and effectively;
- c. to reduce the amount of vacant space to the minimum consistent with meeting objective a.;
- d. to maintain the value and operational fitness of the estate retained in accordance with objective b. by timely and economic expenditure on maintenance within the constraints of PESC and Voted expenditure;
- e. to keep outgoings on the leased estate (rental payments and landlords service charges) to the minimum achievable in negotiation with landlords;

6.2.2 Thus in its Civil Estate Strategy for 1985/86 the Agency is required inter alia to meet the following targets:

to reduce the office estate by 0.1 million square metres

to achieve disposals of £19m

to reduce the proportion of surplus space from 5% to 4%

6.2.3 To meet these targets PSA has three main policy instruments, all of which depend heavily on the co-operation of client departments and which must be attuned to an appreciation of their operational requirements. These are monitoring the use of space, estate rationalisation and disposal of surplus space.

6.3 Monitoring the use of space

6.3.1 Hitherto PSA has monitored the civil estate by inspections which sought to ascertain excess of space over the centrally agreed space standards. The Multi-Departmental Review of Accommodation has recommended that this function should in future be discharged by departments themselves conducting regular audits of the space they occupy.

6.3.2 Following consideration by the Information Requirements Sub-Group of the IDC, guidance on the conduct of occupancy audits was issued by PSA to Principal Establishment Officers on 11 October 1985.

6.4 Estate Rationalisation

6.4.1 PSA conducts a programme of town reviews which look at all properties on the civil estate within a given area, assess the costs in use, the amounts and location of vacant space, requests for new acquisition or hirings, known operational requirements, and opportunities for surrendering or renegotiating leases. Opportunities for rationalisation are identified, costed and their feasibility discussed with clients. A special allocation of funds (provisionally some £6.5m in 1985/86) is made for the costs of the most economic schemes with a pay back period of 5 years or less. More tailor-made schemes can also be devised in collaboration with clients such as Inland Revenue who have large operational estates in need of review and rationalisation. Under the proposals for the development of PPS, improved joint planning and liaison (see 8.9) will require more informed discussion with all the client departments concerned.

6.4.2 Rationalisation will often be the most cost-effective means of dealing with surplus space by ensuring that departmental occupations are concentrated on a smaller number of holdings which are both apt to operational requirements and economic in use. In this way PSA can maximise the potential yield from disposal of whole marketable units or achieve the maximum savings by surrendering unwanted leases. A good example of what can be achieved is the London Headquarters Estates Strategy which has already achieved capital receipts from disposals of £18m and predicted current savings of £36m pa by 1988. Outside London similar estate rationalisation schemes are in hand. For example, as a result of the relocation of an Inland Revenue Office and DHSS office (total cost £210,000) PSA was able to terminate the lease of Teesdale House, Middlesbrough on 31 March. This reduced the estate by 2,149m² and produced savings in rent and outgoings of £97,000 pa.

6.5 Disposal of surplus space

6.5.1 PSA's procedures for securing the disposal of surplus space are the subject of a separate Rayner Scrutiny (the terms of reference for which are at Annex 2) and have not been examined by the Committee. We have however considered the criteria for judging whether vacant space can be accepted as viable (see 8.11).

6.6 Land Holding Powers and Legal Responsibilities

6.6.1 We have described the historical development of PSA's central management of the estate in 3.1. Legal title to the civil estate is now vested specifically in the Secretary of State for the Environment. All leases and legal liabilities to landlords etc entered into by the PSA are expressed in his name, and when other departments act to discharge their delegated maintenance functions they can only do so as his agent since under the legal doctrine of privity of contract all the rights, responsibilities and obligations under leases attach solely to the Secretary of State and he alone is answerable for any default. Other departments have land-holding powers for specific operational purposes - a list of those known to PSA is at Annex 3. Transfer of title might in theory be achieved by amendment

of the relevant Order in Council defining the functions of the Secretary of State under the Commissioners of Works Acts. It would not however be possible for more than one Secretary of State to exercise functions in respect of the same lease.

6.6.2 The procedures for transferring property between one government department and another were examined in detail by an interdepartmental working party in 1980. (The Working Party on Government Land Holdings). Their basic conclusion was that the legal and administrative costs, and the lack in a number of cases of appropriate land-holding powers militated against transfer of title, and that administrative transfers of sole occupations would have the same practical effect and would generally be preferable. This is the policy PSA has followed in its relationships with its traditional repayment clients. Other than the initial "free transfers" of sole occupations when the procedures were first set up in the early 70s very few administrative transfers have however been successfully conducted in recent years, in part because of the Treasury requirement that such transfers should be at current market value, and in part because of the reluctance of some repayment clients to agree to formal and binding agreements with PSA.

6.6.3 There are advantages in coping with machinery of government changes if the title of the property does not have to be transferred when departments are merged or new ones created.

6.6.4 We do not recommend any change in the present legal responsibilities for the civil estate, but note that further consideration would need to be given to the legal and administrative implications should such a proposition be canvassed.

6.7 Central Management

6.7.1 Central management of the estate will be a key factor in securing the estimated £50m space savings by 1988 identified by the MDR. It should also give PSA more flexibility to respond to changes in departmental needs.

6.7.2 Without central management the objectives set for the civil estate, set out in 6.2.1 would not readily be achievable. The extent of multi-occupation on the estate is such that departmental occupations could not within the foreseeable future be disentangled except over time as leases fall in, and the financial disadvantages in terms of the space left surplus as departments withdrew from joint occupations would be very difficult to justify. It would be equally difficult to justify a situation where government departments were in effect bidding against each other for scarce office space, particularly in Central London.

6.7.3 It is noticeable that those private sector organisations which maintain an operational estate generally keep tight central control over its management with only modest delegation to their operating centres. As the MDR noted, government has developed the concept of delegation on matters of accommodation to a greater extent than the private sector, although the analogy is not precise as there is nothing in the private sector that resembles the government estate in size and diversity. It has also been argued that parallels might be drawn in some respects between the occupations of a single department such as DHSS and those of a large company like ICI.

6.7.4 The general view of the Committee is that it would not be financially prudent at this stage to contemplate delegation proceeding to the point where PSA's ability to continue to exercise its central estate management functions was called into question. However, some departments, and in particular DHSS, think there may be benefits to be obtained from untying which could outweigh these considerations (see 9.4.2 for their views on the radical option).

6.8 Potential Conflict

6.8.1 There is however potentially a conflict between PSA's role as central manager and departments' pursuit of their operational priorities and their implementation of the FMI. It will for example sometimes be preferable in PSA's view for a department wanting new accommodation to accept vacant space on the existing estate. It is inevitable however that what is available on the estate will not always be suitable and a department may have good operational reasons for wishing to be located elsewhere by a new hiring. We do not consider that potential conflicts can always be prevented. If there are genuine differences of view then we consider that the first step to resolution should be to identify as far as possible all the relevant costs and benefits, both to PSA and to the client department, in a properly conducted investment appraisal as recommended in the MDR. A department which chose to pursue an option which clearly could not be justified on the basis of the investment appraisal would need to put its case to Treasury and its Accounting Officer would also have to consider carefully how to justify the expenditure. By the same token PSA could not reasonably insist on an estate management solution which was patently uneconomic when the department's costs were taken into account. The need for an appraisal should not however become an excuse for delaying a decision.

6.8.2 There are however also more basic problems of understanding and communication which have in the past exacerbated relationships between PSA and its clients. Whilst there should always be scope for genuine differences of view greater co-operation is essential if progress is to be made and we consider that working relationships would be greatly improved by a clearer understanding of each party's roles and responsibilities (see section 7) and by the new system of joint planning and liaison which we recommend (see 8.9). This will require a greater openness and understanding of departments' needs by PSA, and better communication by departments of their operational priorities. The view has also been expressed that Treasury should display greater understanding of departments' operational requirements in considering overall levels of funding for accommodation. We discuss the problems of funding in more detail in 11.7 below.

6.8.3 As to the implementation by departments of the FMI, we do not consider that PSA's central estate management role, which we have assumed will continue, need be regarded as a constraint to the further development of delegations to departments providing that a reasonable balance is preserved between PSA's role and that of its client departments. In our view the proposals for the further development of PRS contained in this report will meet this condition.

7. THE PRESENT PRS SYSTEM: ROLES AND RESPONSIBILITIES

7.1 Introduction

7.1.1 In order to consider the practical implications of any proposals for the further development of PRS it is first necessary to establish clearly how the present system operates in detail. This section accordingly sets out the respective roles and responsibilities of PSA and of departments occupying accommodation on the civil estate under the present PRS arrangements.

7.1.2 The Committee has also noted the importance for the efficient and economical operation of the Government estate of ensuring that PSA and departments have a clear understanding of each other's functions, so that they can each fulfil their own roles in the management of accommodation and know what to expect of the other. We therefore recommend that by end March 1986 PSA should issue a statement of roles and responsibilities along these lines, amended to take account of whatever changes to the system are agreed, to all departmental Accommodation Managers and circulate it widely within PSA.

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7.2 Definition of Objectives

7.2.1 The Secretary of State for the Environment is responsible and accountable to Parliament for both Crown freehold and leasehold buildings on the civil estate. PSA acts on his behalf in the care and management of both freehold and leasehold properties. The Agency's principal policy objectives for the civil estate are as stated in 6.2 above.

7.2.2 Client departments undoubtedly have their own formulations of their objectives for the management of the civil accommodation they occupy. These will be ancillary to the departments' aims and objectives for the conduct of their main businesses. It is likely, however, that they will include something like the following:-

- i. to ensure that all staff and functions are adequately accommodated in suitable locations, with due regard to economy and to the appropriate space standards;
- ii. to consider means of reducing the amount of surplus space held by the department, and to prepare plans reflecting the department's likely future accommodation needs;
- iii. to carry out delegated minor new works and maintenance efficiently and economically, within the constraints of PESC and Voted expenditure.

7.3 Definition of Respective Responsibilities

7.3.1 It is evident that the objectives of both clients and PSA for the management of the estate are only capable of achievement through close co-operation and liaison and an adequate flow of information in both directions. The primary aim both for departments and for PSA must be to achieve the maximum value for money for the tax-payer in accommodating the functions of Government, which requires a careful balancing of costs, benefits and priorities. Because of this shared aim, there is no single analogy from the private sector which adequately reflects the relationship between PSA and its clients. The apparent resemblance to a commercial landlord/tenant relationship is misleading because of:

- PSA's monopoly position as the Government's provider of accommodation

- the common objective of economising on the size and balance of the estate, which prevents PSA from behaving like a commercial property company
- the constraints on public expenditure, which must take precedence over mutual agreements between the two parties on levels of service.

Another apparent analogy is with the relationship between a private property management agency and its clients. However, this is similarly not a true comparison because PSA has its own responsibilities and objectives for the estate and discharges many functions (such as the payment of rent and the appraisal of options for meeting new requirements) which in the normal agency relationship would be exercised by the client.

7.3.2 As no ready-made models can be relied on, it is necessary to define each aspect of the unique relationship between PSA and departments. The following sections seek to do so in general terms for a number of activities with which departmental accommodation managers are likely to be involved. More precise and detailed guidance is available from other sources such as the Accommodation Officers' Guide and the Minor Works handbook.

7.4 PRS Accommodation Charge

7.4.1 Departments are required to pay an Accommodation Charge for all space they occupy at 30 September of each year, whether leasehold or freehold, and are responsible for ensuring that they take adequate provision to meet these charges. They are also responsible for checking that the area of occupation on which the Accommodation Charge is calculated has been agreed with PSA.

7.4.2 PSA is responsible for maintaining and agreeing with departments an up to date record of areas of occupation, and for calculating and notifying to departments their annual Accommodation Charge. This comprises 3 elements:-

i. a rental element, reflecting the current market value of the accommodation and hence the opportunity cost to the Exchequer of the department's continuing occupation. This is charged for both leasehold and freehold buildings, and in the case of leasehold property inevitably differs from the historic passing rent paid by PSA to the landlord. The PRS rent is assessed (and re-assessed at 5-yearly intervals) by the local PSA estate surveyor, but departments may question an assessment if they have clear evidence of error, and ultimately raise the matter with the Chief Estate Surveyor if necessary.

ii. a maintenance charge, calculated on a unit rate basis, through which PSA recovers the cost of the maintenance and minor new works it carries out on the estate (an additional charge is made where work costing under £1000, otherwise delegated to departments, is carried out by PSA Directly Employed Labour). These charges apportion PSA expenditure in relation to areas of occupation, rather than in relation to the actual costs incurred on particular properties. Properties are classified as office, storage or specialised, according to their predominant use, and different unit rates are charged for each category.

iii. an administration charge, levied on a percentage basis on the maintenance element of the Accommodation Charge, through which PSA recovers the proportion of its overheads associated with this work.

In addition, PSA collects departments' contributions in lieu of rates on behalf of the Rating of Government Property Department, together with an administration charge levied by RGPD on a percentage basis.

7.5 Works Services

7.5.1 These consist of major new works (over £150,000), minor new works (up to £150,000) and maintenance. The respective responsibilities of departments and PSA in relation to these are described in the next two paragraphs.

7.5.2 Departments, except in those buildings serviced by PSA DEL, are responsible for funding and carrying out:-

i. maintenance works costing not more than £1000 (inclusive of VAT), excluding work which is the responsibility of others (eg landlords, local authorities, statutory undertakers, Crown Suppliers) or work which requires PSA's special expertise (in particular the maintenance of mechanical and electrical equipment, and work on items indicative of structural failure). More precise guidance on excluded work is to be found in the Minor Works handbook.

ii. minor new works costing not more than £1000 (inclusive of VAT), provided that PSA has confirmed in advance that the proposed work is technically feasible, that any necessary statutory or landlord's approval has been obtained, and whether or not PSA's technical oversight (eg certification of compliance with Building Regulations) is required.

iii. maintenance and minor new works, under the above delegations, in the common areas (including roofs, and fixtures such as down pipes) of buildings of which they are the major occupier;

iv. the provision and maintenance of approved supplementary heating, subject to advice from PSA on electrical safety.

7.5.3 PSA is responsible for:

i. carrying out all major new works on the civil estate in response to departments' requirements. This involves the planning and design of individual projects, which is done both in-house and through consultants, the letting and supervision of contracts, and the management of overall programmes of work. The office programme is financed from PSA's own PES, while PES provision for work on specialised buildings such as courts, prisons and special hospitals is found by the client department and transferred to PSA's Works Vote. In some cases departments also provide PES cover for the cost of non-specialised new works, where PSA does not have the funds to meet an urgent requirement.

ii. in buildings serviced by DEL, carrying out all maintenance and minor new works costing up to £1000.

iii. in other buildings, maintenance works under £1000 which are excluded from the delegation to departments, the technical oversight of minor new works carried out by departments where this is judged to be necessary, and the seeking of statutory or landlord's approvals in connection with such work.

iv. all maintenance and minor new works costing more than £1000. In office and storage premises the cost of this work is recovered through the maintenance element of the Accommodation Charge. For specialised properties only the cost of maintenance is met through the Accommodation Charge, with the actual costs of minor new works being recovered on a repayment basis from departments.

v. the maintenance of buildings' mechanical and electrical systems (including heating and hot water installations, lifts, and air conditioning), apart from some simple repairs (as defined in the Minor Works handbook) which are delegated to departments.

vi. carrying out, in conjunction with departments, annual inspections of all properties to ensure that they are being appropriately and safely maintained, and that the terms and conditions of leases and Fire Certificates are being complied with. Where the need for urgent and essential work falling within the £1000 delegation is discovered as the result of such an inspection PSA will ask the department to order and pay for the work required.

7.6 Health and Safety

7.6.1 Departments have responsibility for ensuring that:

i. persons using premises under their control are safe and without risk to health;

ii. no injury is suffered by any person as a result of failure to carry out work falling within their delegation, from the carrying out of such work, or from defects in the work;

iii. contractors carrying out delegated work are informed of unusual hazards that might affect the work, such as the presence of asbestos or fragile roof coverings;

iv. the terms of Fire Certificates are complied with, and that works are not carried out in such a way as to create a fire hazard or render existing fire precautions ineffective;

v. fire alarm systems are periodically tested, and smoke checks and fire resisting doors regularly inspected;

vi. portable fire equipment (eg extinguishers and fire blankets) are regularly inspected and only repaired or replaced to PSA approved standards;

vii. all staff in a building are informed of the location of known asbestos materials, all work on asbestos-containing material is carried out by PSA or its contractors, any damage to known asbestos and any suspected new finds are reported promptly to PSA, any any exposure of staff to levels above 0.01 fibres/millilitre is recorded on personal files.

7.6.2 PSA has similar duties to those outlined in 7.6.1 i.-iv. above, in relation to work (including maintenance and minor new works under £1,000 in buildings serviced by DEL) that is the Agency's responsibility. PSA is in addition responsible for:

i. the maintenance of fixed fire-fighting systems, such as sprinklers, detectors, hose reels, and wet and dry risers;

ii. providing advice to departments on matters relating to fire precautions, and on other aspects of health and safety, such as asbestos;

iii. re-surveying all properties on the estate at intervals, to ensure that fire precautions and means of escape are satisfactory and that fire appliances are being cared for;

iv. advising departments of the dangers of asbestos, deciding whether to seal or remove known asbestos and employing competent firms to carry out the work, monitoring dust levels on completion of work, keeping records of all known asbestos and providing details to occupying departments, and carrying out regular inspections of the condition of all known asbestos.

7.7 Other Responsibilities

7.7.1 Departments are responsible for:

- i. repaying to PSA the actual cost (usually apportioned in proportion to areas of occupation in jointly occupied buildings) of heating fuel and utilities; of minor new works up to and including £150,000 in specialised properties; and (in buildings of which they are the major occupier) of custody guards employed by PSA in London.
- ii. payment direct to the Crown Suppliers for goods and services ordered from them (apart from heating fuels).
- iii. encouraging the conservation of energy in the buildings they occupy, and carrying out associated minor new works within the delegation to departments.

7.7.2 PSA is responsible for:

- i. the payment of landlord's rents and service charges, accounts submitted by Crown Suppliers for heating fuel, and accounts submitted by suppliers of gas, water and electricity;
- ii. negotiating rent reviews with landlords;
- iii. informing departments about fuel costs and consumption, advising them on energy conservation measures, and carrying out a programme of capital investment to reduce energy consumption across the estate;
- iv. payment of the Accommodation Charge for and care and custody of all vacant space on the estate which is not currently allocated to a department.

7.8 Provision of Accommodation

7.8.1 Departments are responsible for:

- i. identifying in good time (whenever possible) any need for new accommodation, for briefing PSA in detail on their requirements, and for ensuring that provision is made to meet any costs arising from the occupation of the new accommodation, including the Accommodation Charge and (in most cases) removal costs.
- ii. procuring and paying for casual hirings to meet short term accommodation needs.

7.8.2 PSA is responsible for:

- i. ascertaining that new accommodation requested by departments does not without good reason exceed the minimum space standards for the staff to be accommodated;
- ii. determining, in consultation with the departments concerned and taking account of their operational requirements, the most economical and effective means for Government of meeting accommodation needs - for example by the re-

allocation of space within jointly occupied buildings, the re-allocation of buildings between departments, the use of existing vacant accommodation on the estate, or the hiring, leasing, purchasing or construction of new accommodation;

iii. providing whatever estates and works services are needed, including negotiations for the lease or purchase of new buildings and the carrying out of in-going services and new construction, with the objective of ensuring that the new accommodation is ready for occupation when required by the client.

iv. in exceptional cases, where a move has been initiated by PSA in pursuance of its objectives for the management of the estate, meeting the costs of removals.

7.9 Disposal of Accommodation

7.9.1 Departments are responsible for identifying space within their occupations which is surplus to their current and foreseeable operational requirements, and for discussing with PSA whether any such space can be assembled into viable units for re-allocation within Government or disposal.

7.9.2 PSA is responsible for:

i. maintaining an oversight of the allocation and occupation of accommodation on the civil estate;

ii. negotiating rationalisation schemes with occupying departments where these will release space for disposal or obviate the need for new accommodation to be procured, and promoting such schemes by meeting some associated costs;

iii. discussing with departments the identification and assembly of units of viable vacant space for re-allocation or disposal;

iv. negotiating with landlords the termination or assignment of holdings;

v. the setting and achieving of annual targets for the disposal of surplus accommodation on the civil estate.

7.10 Conclusion

7.10.1 The foregoing paragraphs do not purport to represent comprehensive advice on the duties of departmental Accommodation Officers and PSA staff. More precise definitions - for example of the scope of the minor works delegations, or of departments' financial responsibilities - are to be found in the Accommodation Officers Guide, the handbook "Minor Works in Government Premises", and the Treasury circular DAO 4/84. Instructions to PSA staff on the professional and technical aspects of their duties are found in the relevant internal codes and instructions. This section does, nevertheless, set out the Committee's view of the general principles underlying the division of responsibilities for accommodation between PSA and client departments on the civil estate, under the present PRS arrangements.

5. ANALYSIS OF ISSUES AND NEED FOR CHANGE

6.1 INTRODUCTION

6.1.1 In this section we review the main issues which have been raised by various departments since the inception of PRS, take a view on whether any further change is needed, and put forward the proposals for further development which will constitute the standard option.

8.2 INDIVIDUALLY ASSESSED MARKET RENTS AND RATES

8.2.1 The element in PRS which perhaps more than any other signals to departments the cost of the accommodation they occupy is the assessed market rent they are required to pay as an element of the Accommodation Charge. Taken with rates it amounts to on average some 80% of the Charge. Some departments have from time to time raised doubts about the principle of charging the market rent when PSA itself may not be paying any rent at all on a Crown freehold or a "passing rent" which for historical reasons is substantially lower than the current market rent.

8.2.2 Following the suggestion in the MDR that the case for charging market rents should be explained for the benefit of departments we have looked again at both principle and intended practice in the light of a paper presented by Treasury. The paper was circulated to all departments in August as PESC (85) 27.

8.2.3 The arguments in favour of using assessed rather than actual rents are set out in more detail in the extract from the Treasury paper at Annex 4. In brief the argument is that rents based on open market valuations provide a much better approximation to the true economic costs than the rents (if any) that PSA actually pay themselves. This is the view which was expressed in the Ministerial correspondence in 1984.

8.2.4 We have also taken note of Treasury's proposals (also contained in PESC (85) 27) for the annual increase and five-yearly review of market rents (which as Ministers have agreed will be individually assessed for each property from 1 April 1986), and for the individual assessment of the rates which the Rating of Government Property Department recoup from departments through PRS.

8.2.5 We do however feel it right to point out that if the annual increases, needed to conform to the exigencies of PES, exceed the uplift factor there will be a further squeeze on departments' already hard pressed provision for accommodation. This is a factor we are bound to take into account in forming our overall view of the resource implications of the proposals we have considered for the development of PRS (see section 11).

8.2.6 We have also considered the issue raised by the requirement for departments to pay a market rent to PSA when they take up occupation of specialised accommodation for which they themselves have provided the resources. This has given rise to complaints that departments are required to "pay" twice. As the Treasury has pointed out however if occupying departments did not pay a market rent reflecting the value of the accommodation there is a risk that it would be regarded as a free asset, and that its opportunity cost would not be taken into account, leading in due course to inefficient use.

8.2.7 We have noted the recommendation in the MDR that PSA should provide a suitable mechanism whereby departments could raise questions about the level of rental assessments. We understand that PSA will shortly be advising accommodation officers on the appropriate procedures.

8. MAINTENANCE AND MINOR NEW WORKS

8.3.1 There are two main issues. First there is a need to find a better balance of responsibilities for maintenance than is afforded by the existing minor works delegation. Secondly there is likely to be some mismatch between the expenditure actually incurred on a department's occupations and the unit charge levied in the Accommodation Charge (the so called "club subscription", which covers both Part III and Part II works, and the associated administration costs).

8.3.2 The present £1,000 delegation has generally worked well, and goes some way towards meeting the overall FMI objective of making local management more directly responsible and accountable for their operational costs. It is necessarily a matter of judgment whether better value for money has been achieved but, as the MDR bears out, that is the firmly held view of those who have been responsible for this expenditure in departments.

8.3.3 There is considerable pressure from many departments to extend the delegation, and PSA suggested in its April consultation document that there might be scope for extending the delegation with the aim of enabling departments to do more non-structural work.

8.3.4 The present delegation has a number of technical exclusions, which provide that work which requires a degree of technical knowledge to specify, supervise and control to the appropriate standards remains reserved to PSA. The exclusions cover work to electric circuits and lifts, boilers and other mechanical or structural features of buildings.

8.3.5 Departments would need to set up their own works organisations or otherwise acquire technical capacity to do this work. This would duplicate PSA's technical expertise, and the benefits to departments are as yet unproven. We accept that PSA as the Government's property manager needs to retain some overall control of works which may affect the structure or the basic services of a building, not least as so many offices are shared between several departments. [But see section 9 for our views on traditional, standard and radical options.]

8.3.6 Nevertheless we do feel that departments can be given greater delegated responsibilities within the field of maintenance and minor works without giving rise to such problems, and that experience with the existing delegation has demonstrated that there are real benefits to be gained by giving local accommodation managers responsibility to handle more of the minor day to day problems which occur in their offices. [See however section 11 on the resource implications of our proposals as a whole.]

8.3.7 The problem has been to find the best way of giving effect to an increased delegation. We have considered a number of options. One option was for PSA to do work for departments on repayment terms. We did not favour this because of the disproportionate administrative costs involved in the commissioning and accounting transactions for a multitude of small jobs. Another was to attempt to define job by job a distinction between structural and non-structural work. However, other than in the case of internal decoration (see 8.5) there are no significant categories of work which readily categorise themselves as non-structural. We consider that it would not be administratively feasible to run a system of delegation on the basis of a highly complex compendium of rules which attempted to distinguish every possible item of work which might arise and classify it as structural or non-structural.

8.3.8 We have concluded that the most practicable approach is to increase the present £1,000 per job limit.

8.3.9 Any financial limit is to an extent artificial, and creates anomalies on either side of the divide, but it does have the substantial merit of simplicity. And we have found no alternative which would not have greater disadvantages. The level of the limit is a matter of judgment, but having considered the views of a number of departments who responded to PSA's consultation document by suggesting an increase to £5,000 and having also considered the information PSA has been able to supply on the value of work done up to this level (see section 11 on resource implications) we consider that £5,000 would represent an appropriate level of delegation.

Rec 2

8.3.10 We therefore recommend that the present delegation for maintenance and minor new works within which departments go direct to contractors should be increased from £1,000 to £5,000; but retaining the present technical exclusions and the need to consult PSA on minor new works. The new limit should be uplifted automatically at appropriate intervals to allow for inflation and PSA should agree an appropriate mechanism with Treasury.

8.3.11 We are however conscious that increasing the delegation, even with the existing technical exclusions, will bring more work and more complex work within the ambit of accommodation managers and thus bring with it a need for better guidance and training. We note that PSA is setting in hand work on producing better guidance for lay accommodation managers on a range of issues relevant to works services including contractual procedures, specification, supervision, legal obligations, standards of design and materials used, fire health and safety etc. There will be a similar need in respect of internal decoration (see paragraph 8.5.3 below).

8.3.12 PSA should draw up appropriate guidance for accommodation managers on work within the proposed new delegation with a view to making it available in 1986 well in advance of the delegation taking effect (see also our recommendations on timing of implementation in 13.1 and on training in 8.12).

Works costs and charging - the "club subscription"

8.3.13 The MDR drew critical attention to the present system of charging for works costs under PRS (the "club subscription") and made some suggestions for improvement, including the possibility of banding on analogy with the current banding of rents in London. There is also a strong feeling amongst departments that the unit rates charged bear no relationship to actual expenditure by PSA on maintenance and minor new works on their occupations and that they should know what that expenditure is.

8.3.14 On the question of information the report of our sub group on information requirements recommended that PSA should make available to departments information on its past expenditure on each property (where possible over the last 5 years) on maintenance and minor new works, and should also provide information on the main components of estimated expenditure in the current financial year, and forward plans and estimates of cost for the coming financial year and the year after where known (6.2.1a). The sub group also recommended that departments should, after the end of each financial year, be provided with the global figures for the maintenance charge and for the actual maintenance expenditure on their occupations (4.7.1). We endorse both these recommendations and consider that they will go a good way to meeting some of the criticisms of the present system.

8.3.15 The mismatch between the charge raised and the actual expenditure incurred will however remain and is likely to be put into sharper focus once departments have the figures on actual expenditure. We have therefore given initial consideration to a number of possible alternatives to the present system in the light of the report from our sub group.

8.3.16 We agree with the assessment by the sub group (in section 4.2 of their report) that an adjustment to the rents charged in PRS to reflect the poor condition of some properties and the cost of maintenance would in effect be double counting since the individual assessment of rents for PRS already takes into account the condition of the property and its costs in use to the extent that the market itself would.

8.3.17 Some of us feel strongly that it would be preferable to dispense with the club subscription entirely as a method of recouping PSA's expenditure for the works for which it will retain control and financial responsibility once further delegations have been made to departments. The argument is set out in 4.3.1 of the sub-group's report, where it is suggested that the remaining elements of the charging system would adequately bring home to departments the cost of their accommodation, and that it would be more appropriate in FMI terms for PSA to be wholly responsible for funding those works for which it retained responsibility. It has also been argued that the distorted cost signals provided by the present system may be prejudicial to good management of the estate.

8.3.18 On the other hand we are conscious that if departments were no longer to bear this element of the total costs of their accommodation it could be regarded as a retrograde step. We have therefore looked at possible ways of refining the present charging system. There are a number of possibilities here. One could for example move to using maintenance unit costs to produce "banded" charges in place of the present charging system or move direct to a system of charging based on estimated actual expenditure. These possibilities were analysed in some detail in section 4.4 of the sub-group's report but as that analysis shows there are difficulties in either approach, in part because of the volatility and unpredictability of the need for works expenditure and the restraints on the funds available to meet those needs and in part because of the inadequacies in present information. There are some doubts as to whether it is technically feasible at present to move to a more refined system of charging. Although we recognise the strength of the dissatisfaction amongst some departments with the present system, we would therefore want to see how successful departments and PSA are in practice in building up a reliable profile for this element of accommodation costs through the process of information sharing and joint planning and liaison before recommending changes.

8.3.19 There is also a more fundamental issue on which views vary considerably within the Committee. Changes to the charging system may have implications for the way in which PSA controls and distributes its overall funds for the works services it will retain. Some of us believe strongly that there are advantages in a common fund of sufficient size to deal with contingencies as they arise according to priority of need and consider that departments with smaller resources will be particularly exposed if PSA's funds are tied down department by department. Others take the view that it is wrong for one department in effect to subsidise another. We also note that the whole problem is exacerbated by underfunding of maintenance expenditure.

8.3.20 We have not been able to reach any firm conclusion on this difficult issue within the time available for completing our main report, but we acknowledge that further work and analysis is needed and that the issue should not be allowed to go by default. By the end of January 1986 PSA will have made available figures, showing the amounts recovered through the club subscription from each department in 1983/84 and 1984/85 and PSA's minor works expenditure on that department's occupations, which will assist this analysis. When these figures are available we shall consider a further paper on the charging system and on the options for further development.

8.4 DIRECTLY EMPLOYED LABOUR (DEL)

8.4.1 At present a number of offices, particularly although not exclusively in London, are excluded entirely from the minor works delegation because they are served by DEL. This exclusion runs counter to the general intent of the delegation, and is an anomaly which a number of departments have criticised.

8.4.2 Ministers have recently concluded that the assurance given to the unions that there would be no compulsory redundancies in the DEL purely on account of PRS should continue to be honoured. They also concluded however that the IDC should be invited to consider means by which offices served by DEL should be included in PRS.

8.4.3 We have noted that DEL will continue to run down progressively by a combination of natural wastage and voluntary redundancies but that particularly in London there is likely to be a significant work force for the foreseeable future.

8.4.4 PSA has proposed, and we agree, that offices served by DEL should nevertheless be included in PRS by enabling accommodation managers to order work via the DWO within the minor works delegation which will be done by DEL on a repayment basis (the resource implications are considered in 11.3.1). Through the medium of joint planning and liaison (see 8.9), PSA and departments would establish in the autumn of each preceding year what work DEL was equipped to do in each local office concerned. For those categories of work the accommodation manager would be required to submit an order through the DWO who would either arrange for it to be done by DEL on repayment terms or inform the accommodation manager that the work was beyond the present capacity of the DEL and that he was free to go direct to contractors. For work outside the defined categories the accommodation manager would go direct to contractors without this prior procedure. PSA would retain overall responsibility for managing the DEL and departments would in effect remain tied to their use to the extent necessary to ensure that they were fully utilised.

8.4.5 We suggest that PSA should consider further the detailed procedures for giving effect to this proposal, and in particular whether there is any scope for setting limits to the time departments may be asked to wait before an order can be carried out by the use of DEL, but we note that negotiations have yet to take place with the unions concerned. The aim should however be to have a workable system in place for 1 April 1987.

Rec 3 8.4.6 We recommend that the present DEL exclusion should be removed with effect from 1 April 1987 to permit accommodation managers to commission work from them on repayment terms within the proposed minor works delegation, and to go direct to contractors (subject to the normal process of consultation with PSA for Part II works) where DEL cannot undertake the required work.

8.5 INTERNAL DECORATION

8.5.1 At its meeting on 12 December 1984 the Inter-Departmental Committee on PRS agreed to set up pilot schemes on delegating responsibility for internal decorations to departments. The principle that internal decoration should be delegated had been generally accepted. The aim of the pilot schemes was to discover how delegation might best work in practice, to shed light on the advantages or disadvantages were departments to be untied from PSA, and to identify any practical or administrative problems which would need to be addressed in implementing any general delegation.

8.5.2 The Committee's interim report in November 1985 was made before most of the 13 pilot schemes were complete. On the evidence available it recommended delegation of responsibility for internal decorations to departments from 1 April

1987 to coincide with other proposed changes. It also recommended that departments who wished to do so and had the funds available should be permitted to carry out further schemes for internal decoration during 1986/87.

Rec 4

8.5.3 Although one or two schemes are still in progress and the monitoring consultants have not finally reported, the pilot schemes have been a success. There are practical points emerging from them which will be drawn together in a full report to the IDC and taken into account in the guidance PSA is now preparing for departments. We feel confident in endorsing the recommendations of the interim report that:

- full delegation should take place from 1 April 1987 to coincide with other proposed changes;

- the intervening period should be used by PSA and departments to prepare fully, including those departments who wish to do so and have the necessary funds being enabled to carry out further schemes during 1986/87.

8.6 MINOR NEW WORKS

8.6.1 We have already recommended that maintenance and minor new works up to a new limit of £5,000 should be delegated to departments. However that will not of itself achieve the appropriate balance of responsibilities between PSA and occupying departments. Many of the new works which departments have at present a major role in initiating, stemming from their operational requirements, can be expected to exceed £5,000. An example is internal repartitioning where the associated costs of rewiring can soon bring even a fairly modest scheme over the threshold.

8.6.2 Here again there is a balance to be struck between a number of factors. As property manager PSA needs to satisfy itself that the proposed new works are technically and structurally feasible and to consider the interaction with other works and where appropriate the choice between repair and new provision. If landlord's consent is required PSA will need to obtain it. PSA also has functions in respect of fire certification, building regulations, and planning permission or listed building consent where applicable. While some departments may feel that they can do a better, cheaper or prompter job by using their own resources or by buying in management expertise from the private sector, others may not wish to duplicate PSA's professional and technical expertise on the design, supervision and control of minor new works, and may feel that the resource implications in setting up the necessary expertise to do so could be more than it would be reasonable to contemplate for changes to take place in 1987. Nevertheless, it seems right that they should have a greater say than at present, particularly on works which affect the internal layout of their occupations.

8.6.3 We consider that the best way of allowing for the necessary interactions between PSA and clients whilst making departments more directly responsible for the minor new works incurred on their occupations is to move towards departments commissioning work from PSA on a repayment basis. Under this approach PSA would in agreement with the client undertake all the necessary work involved in designing, specifying, supervising and controlling the contract and would recharge to departments the works costs plus its standard percentage charge for its own departmental expenses. The necessary transfer of resources would be effected by an abatement of the Accommodation Charge pro rata to the space occupied by the departments on the estate (see section 11 for the resource implications).

8.6.4 There are certain categories of Part II work which it might be more appropriate to reserve to PSA entirely rather than putting them on a repayment

basis. In addition, it might be appropriate for PSA to fund works expenditure needed to facilitate an estate rationalisation move initiated by the Agency. Our detailed suggestions for those categories which should be devolved are contained at Annex 5. We recommend that these categories of minor new work should be placed on a repayment basis from 1 April 1987.

8.6.5 Even when departments become responsible for commissioning and funding minor new works on a repayment basis there may still be occasional difficulties where PSA lacks the resources to plan the work, or where a department is not satisfied with the timescale or cost of a project as indicated by PSA, because it considers that a less elaborate solution might suffice. The proposals we make in 8.9 on joint planning and liaison should help to improve communications and planning generally but we feel that a more specific mechanism will be needed to deal with the problems we have outlined.

8.6.6 We have therefore welcomed PSA's proposals for a safety valve whereby departments could in certain circumstances use agents other than PSA for minor new works between £5,000 and £25,000. (These figures would need to be adjusted periodically for inflation). We recommend that the procedures adopted for the safety valve should be those set out in more detail in Annex 6.

Rec 5

8.7 MAJOR NEW WORKS

8.7.1 At present major new works which are categorised as office and storage fall to PSA's PES and Vote; on specialised accommodation departments provide the PES and the expenditure falls on PSA's Vote. The MDR recommended that:

"the Treasury reviews by 1 April 1986 PES and vote procedures for major building works with the objective of bringing the cost of the projects closer to departmental funding."

8.7.2 We have considered initial papers on this issue by Treasury and PSA respectively and have formed some conclusions on a possible way forward. The problem is essentially whether PSA should continue to fund and run centrally an overall programme of expenditure on major office building works (ie projects over £150,000), or whether it would be better for each department to have a more direct involvement in determining the funding for the works which PSA undertakes to meet specific operational requirements. If there is to be a greater involvement the question is what changes are needed in existing financial arrangements.

8.7.3 Departments already provide PES cover in the case of major new works in specialised accommodation (eg Research Establishments). There is also a precedent for departments funding work by PSA in non-specialised accommodation. This already happens on certain sub-programmes within PSA's overall Office and General programme where departments such as Employment have been able to get work done which PSA could not otherwise have funded.

8.7.4 There are advantages in FMI terms in an approach whereby departments themselves fund major new works by PSA. Under this approach departments would have to find the resources to back their departmental requirements and make a full assessment of their priorities. When PSA has the financial responsibility it can be argued that departments have no real incentive to choose the accommodation option which represents the most effective use of limited resources. When PSA does not have sufficient funds to meet demands departments may find that their schemes are not given the priority they would wish. There is concern that departments who have secured funds for agreed operational priorities find their programmes jeopardised by lack of PSA funds for the operational accommodation needed, when the departments concerned have not taken part in the discussions with Treasury on funding the necessary works.

8.7.5 On the other hand there are certain advantages in the present system. Whilst some projects may be closely identified with a particular department's operational requirements, in other cases it will not be at all easy to divorce the consideration of a proposal for major new capital expenditure from PSA's overall responsibilities as central manager of the estate. There are a number of projects which in effect represent a solution to the accommodation requirements of several departments. There are also considerations of programme management. With one central programme PSA can to an extent even out the inevitable peaks and troughs in major construction by offsetting overspending against underspending projects. Few departments would have a sufficient volume of major building works to be able to take advantage of this levelling out. For many departments, and particularly those with only a small area of occupation on the civil estate, there could be genuine difficulties in finding provision for a need which may arise perhaps once in ten years, and which may have an uncertain incidence of expenditure over any given PES period.

8.7.6 There is not yet agreement within the Committee on the way forward and we shall need to look further at a number of detailed points which have emerged during discussion before we can put forward our considered conclusions on this issue. In doing so we shall take account of the recent report on the control of capital expenditure contracts; we note that Treasury has been charged with conducting a further study on this.

8.7.7 We intend to consider urgently the following points:

- (a) the effect of better liaison arrangements which we agree should be introduced whatever changes are made to the funding system;
- (b) the scope for recategorising certain types of expenditure on major new works in the present Office and General programme as more akin to specialised accommodation because of the extent to which they are "dedicated" to meeting particular departments' operational needs;
- (c) whether works within existing offices which exceed the present £150,000 boundary line between minor and major new works might be treated similarly in terms of funding responsibilities;
- (d) to assist with this analysis, a detailed breakdown of the present Office and General programme into its component elements;
- (e) an estimate of the amounts which might be available for transfer to departments if there were to be a change in funding responsibilities, and an assessment of the extent to which departments might be required to seek additional funds to meet the shortfall in PSA's existing PES baseline, and the consequent resource implications for departments;
- (f) a detailed analysis of the options for a change in existing funding arrangements, ranging from a more systematic involvement of client departments by PSA in preparing its bids for PES, to a system of PES attribution, or alternatively moving to full repayment;
- (g) the transitional arrangements which would be needed if any change were to be recommended and the timing of its implementation, and
- (h) the extent of any continuing role for a PSA controlled central programme to meet expenditure needs which could not clearly be allocated to particular departments, central initiatives such as estate rationalisation or energy conservation, and the requirements of smaller departments.

8.7.8 We shall need in the light of this analysis to look further at the arrangements for specialised accommodation (as currently defined) and to take a view on whether it would be desirable to move from the present arrangements for PAS attribution to a full repayment system. We shall also need to take account of the question of how PSA's departmental expenses on the design and planning of major new works in specialised accommodation should be funded. For these purposes we shall need to involve in our discussions other departments with a substantial stake in the specialised estate, eg Home Office and the Lord Chancellor's Department.

8.7.9 We need to make further early progress on these issues and propose that we should report separately to Permanent Secretaries with our findings by no later than end March 1986.

8.8 WORK OF THE SUB GROUP ON INFORMATION REQUIREMENTS: FUEL AND UTILITIES

8.8.1 The MDR commented as follows:-

"If line managers are to be encouraged to reduce their energy costs, they must be given information about the energy consumed by their commands. The present system, under which departments pay for their energy on the basis of bills presented by the PSA does not provide the necessary information about consumption, either for checking the bills, or for monitoring the effects of conservation measures."

8.8.2 This issue was debated at some length in the IDC as previously constituted but little progress was made. As we noted in our interim report we set up a sub-group to look specifically at this question and at information requirements generally. After full and detailed consideration of these and other issues they produced a substantial report with their recommendations which we considered at our meeting on 19 November. We believe that the detailed contents of that report will be of considerable interest to those concerned with accommodation matters in departments. We have therefore arranged for it to be circulated separately to Principal Establishment Officers for their information rather than adding to the bulk of this report.

8.8.3 In this and the paragraphs that follow on joint planning and liaison and on information requirements generally we therefore confine ourselves to the main conclusions and recommendations for action which we wish to present for consideration by Permanent Secretaries.

8.8.4 On fuel and utilities our recommendations are as follows:

- Rec 6 1. The present system of centralised payment of fuel and utilities accounts by PSA should be left unchanged for the time being; but other means should be sought of making comparable information about cost and consumption available to departments; and that the possible benefits and disbenefits of direct billing should be examined further in the context of the proposed experiments on the radical option (see 9.4 below).
- Rec 7 2. PSA should provide to departments quarterly reports of fuel consumption for each property they occupy; as a first step, the first reports to be available in January 1986.
- Rec 8 3. Departments should take steps to distribute improved information on consumption, when available, to local Accommodation Officers or other appropriate points in their organisation; the relevant tariff information should be obtained locally, from the District Works Office.
- Rec 9 4. Departments should be made aware of the specialised tariff - checking exercise being undertaken by PSA's consultants, in order to avoid duplication of effort.
- Rec 10 5. PSA should accord a high priority to work on the development of a more comprehensive system for reporting cost, consumption and tariff information to departments.
- Rec 11 6. Departments should take steps to ensure that all staff concerned with the management of accommodation receive adequate information, advice and training on energy conservation measures.

Rec 12

7. Departments should consider the feasibility and possible benefits of installing water meters in properties they occupy, where this has not already been done.

We recognise that there are resource implications in these proposals. However in 1984/85 the amount recovered by PSA from departments to recoup its actual expenditure on fuel and utilities was some £65m, and we consider that the adoption of the measures we have recommended will lead to savings which will amply repay the initial effort required to implement them.

8.9 JOINT PLANNING AND LIAISON

8.9.1 At present considerable administrative effort at all levels within PSA and client departments goes into dealing with accommodation problems as they arise. Problems can be exacerbated by misunderstandings, faulty lines of communication, lack of clarity about responsibilities, mutual lack of information about plans, priorities and funding and recrimination about the quality of service expected and actually provided.

8.9.2 The proposals we put forward in this report for changes to the present system of PRS should help in part to reduce some of this wasteful friction. At the same time the enhanced responsibilities which departments will now have mean that it will be even more important in future for there to be close co-operation at every level in jointly tackling common problems.

8.9.3 We have therefore endorsed the proposals for a more formal system of regular joint planning and liaison meetings between PSA and client departments which were set out in the consultation letter which PSA sent to Principal Establishment Officers on 13 April. In order to better assess the resource implications and find the best and most economical formats for joint planning and liaison which will work to the mutual satisfaction and benefit of client departments and PSA our sub-group on information requirements has set up practical experiments in three PSA Regions, London, Midland and Southern, further details of which are contained in their report. The experiments will include an opportunity to explore practical ways of taking forward the recommendations contained in the MDR about quality of service. The sub-group will act as a steering committee and will report back to us with its conclusions. We shall then arrange for advice to be issued to departments on the results of the experiments.

Rec 13

8.9.4 We recommend that the aim should be to have a fully developed system of joint planning and liaison operating for all departments in time for implementation of the proposed changes to PRS on 1 April 1987.

8.10 INFORMATION REQUIREMENTS

We have set out in 8.8.4 our recommendations on the information requirements in respect of fuel and utilities. We take as read the continuing supply of information to departments on the component elements of their Accommodation Charge; and note that there are a number of issues which will be explored in the experiments on joint planning and liaison where an assessment is more likely initially to be qualitative and ad hoc eg appraisal of condition of accommodation, operational deficiencies, and service delivery. The report of the sub-group sets out in detail (in section 6.2.1) our suggested list of minimum items of information. Our recommendations on implementation are as follows:-

Rec 14

i. PSA should aim as a priority task to develop a new electronic information system to include in a uniform way appropriate items from the list of minimum requirements. The aim should be to have this information held electronically in a uniform way no later than 1 April 1988.

Rec 15

ii. In the interim PSA should make available the information in the form in which it exists at present with such manual collation and adaptation of format as resources permit or the results of the experiments on joint planning and liaison suggest.

Rec 16

iii. In further defining the operational requirements for its new data base and outlining its proposals PSA should maintain close liaison and consultation with our sub-group on information requirements at each stage of development.

8.11 VIABLE VACANT SPACE

8.11.1 As was pointed out in the MDR, the achievement of space savings is dependent on PSA's ability to dispose or reallocate vacant space identified by departments in the course of their occupancy audits. PSA's overall management objectives for the estate have been considered in 6.2 above. In this section we look at the practical considerations which are relevant to a decision by PSA on whether space identified by departments as surplus is or is not a viable unit and the criteria recommended for use by PSA and departments alike.

8.11.2 The present ground rules are given in paragraph 2.8 of DAO/84:

"From 1984/85 PSA will bear the charge (accommodation charge) for all vacant space on its charge as at 30 September in each year, available for re-use, disposal or being refurbished by PSA PSA can only take back on its charge viable units for re-use (whether or not such a re-use is known) or for disposal."

8.11.3 It is most important that any Accommodation Manager who is trying to assemble a package of vacant space should consult the estate surveyor first. This is essential if abortive effort is to be avoided. There are two possible courses of action for PSA in relation to vacant space, to reallocate within government or to dispose of the space from the estate. In terms of reallocation there are limits in practice to the size of an operational staff unit which can be considered as independently viable. In terms of disposal there are physical, security and legal constraints (eg lease conditions) which may limit PSA's freedom of action. There are also cases where departments require PSA to hold space which might otherwise have been disposed of or reallocated, and where new occupations are provided to agreed space requirements which are subsequently found to have been overestimated. In all this a balance needs to be struck between PSA's responsibilities as central estate manager and the need to provide departments with a sufficient incentive to identify and release vacant space.

8.11.4 After due consideration we agreed the criteria set out in Annex 7 to this report (which were promulgated in our interim report to Permanent Secretaries). We recommend that these criteria should be reviewed after they have been in operation for 2 years.

Rec 17

8.12 TRAINING AND GUIDANCE

8.12.1 As noted in our interim report the experiments on internal decoration underlined the need for appropriate guidance to be prepared for use by accommodation managers on contractual procedures and the specification and supervision of works. The increased delegation on maintenance and minor works recommended in 8.3 will also need to be accompanied by appropriate guidance on such matters as fire and safety standards, building regulations, quality assurance and method of building, and the need to observe lease conditions and avoid loss or damage from faulty or neglected work. PSA has set in hand the preparation of the necessary guidance which should in our view be ready in sufficient time to allow departments to consider the internal procedures they will need to set up in order to discharge their new responsibilities effectively. We recommend that PSA should issue comprehensive guidance on the conduct of all delegated functions by 1 April 1986.

Rec 18

8.12.2 There is also a need for training to supplement the guidance. PSA wrote on 18 October to Principal Establishment Officers inviting their co-operation in responding to the MDR recommendation on training.

Rec 19

8.12.3 We recommend that the training programmes agreed with departments should be extended to cover specifically the procedures for dealing with delegated works.

9. THE OPTIONS

9.1 Identifying the Options

9.1.1 We were asked to consider in addition to the PSA's proposals, alternative arrangements both for those departments who might not wish to take on further responsibilities for accommodation and for those departments who might want to contemplate a substantial degree of untying from PSA, the latter to be tested by practical experiments. We have therefore identified three options; a "traditional" option reflecting the status quo, a "standard" option, based on our consideration of PSA's proposals, and a "radical" option, for which we have proposed a range of experiments.

9.1.2 We have set out an analysis of what each option would comprise in Annex 8. This is in summary form with cross references to paragraphs numbers in section 7 where the various functions are described in greater detail. In what follows we give briefly the main features of each option. As will readily be seen it would have been possible to construct a much wider range of options with variations in respect of each of the functions. We were however mindful of the practical and organisational difficulties presented by a multi-option approach (see section 10) and have therefore concentrated on these three. Our recommendations on such matters as information requirements and joint planning and liaison are of course valid for all options and can be regarded as common factors.

9.2 The Traditional Option

9.2.1 This would in effect be the existing system of PRS as set out in section 7. The minor works delegation would remain at its present level, though adjusted periodically for inflation, and departments taking this option would still look to PSA for work on internal decorations exceeding £1,000. The proposals in 8.4 for incorporating buildings served by DEL into PRS would apply but only within the £1,000 limit.

9.2.2 As to the financial arrangements, much would depend on how many client departments remained on the traditional option, and the size of their occupation of the civil estate. The method of financial adjustment for the changes envisaged in the standard option (see section 11) will be an abatement of the Accommodation Charge pro rata to space occupied. The residual funding left to PSA to provide common services for clients on the traditional option may not be sufficient to meet all the works expenditure that may arise, and those departments may therefore need to make provision to commission PSA on repayment terms over and above their pro rata share of the remaining resources; this would particularly be the case with internal decoration where PSA's existing provision is exiguous and which would have very low priority within whatever central funds remained.

9.3 The Standard Option

9.3.1 The main elements of this option have already been considered at greater length in section 8. In brief they comprise an extended minor works delegation of up to £5,000, commissioning PSA on repayment terms for certain minor new works, delegating internal decoration, and the safety valve arrangements for work up to £25,000 whereby departments can go direct to consultants or contractors if it is established that PSA cannot do the minor new works as required.

9.3.2 The financial and manpower implications of this option are set out in section 11. The financial results for each PRS client are shown at Annex 10.

9.4 The Radical Option

Reservations by PSA and by DHSS and DE

9.4.1 PSA has made it clear to us that the proposals for the development of PRS which its Ministers have supported are those contained in the standard option. The proposals we outline below are based on suggestions which PSA made solely with the purpose of fulfilling the remit from Permanent Secretaries. PSA could not itself support these proposals, but has no objections to the proposed experiments which are intended to shed light on the feasibility of such an option.

9.4.2 DHSS and DE for their part have expressed the view that a radical option on the lines suggested below would, if implemented, be only a first step in a direction which they would expect to lead in due course to complete untying of their regional organisation from PSA, including untying on estate management functions (with however suitable provision for consultation with PSA). They are prepared to endorse these proposals as a basis for future development.

9.4.3 We note these reservations, but do not consider that it is necessary at this stage to take any collective view on the desirability or feasibility of moving at a future date to an option on these lines or at a later stage going to the complete untying which DHSS and DE envisage. Such a decision cannot in our view be made until the experiments have been completed and assessed, and until departments have had experience of operating under the standard option.

Main elements of the radical option

9.4.4 The technical exclusions would be removed and departments taking this option would be untied for maintenance, and for minor new works (ie up to £150,000). PSA would only retain major maintenance projects of a size and complexity such as to require central management. Maintenance projects of over £100,000 are already specifically identified as a separate category on PSA's Vote and would represent the threshold. Departments would need to equip themselves with sufficient in-house technical capacity either to instruct consultants or go direct to contractors. Departments would in large measure be responsible for the running and operation of day to day building services within their occupations including heating systems and energy conservation works. Consultation with PSA would however be necessary and PSA would need if appropriate to be able to require departments to carry out works or remedy faulty work where the Secretary of State for the Environment's legal obligations or the structural integrity of the property required such action.

9.4.5 Departments would be expected to co-operate in estate rationalisation schemes, subject to their operational requirements being met and to any necessary financial adjustments (as noted in our interim report guidelines on this latter point are to be developed by Treasury and PSA). Departmental funding of works expenditure would not be regarded as conferring proprietorial rights on the common user estate.

Testing by experiment

9.4.6 We have set up a steering committee to oversee the experiments with representatives from the three departments who have expressed an interest in the radical option (DHSS, Energy and Employment) and from Treasury, MPO and PSA; there will also be representation from those amongst us who are not at present ready to contemplate such a radical degree of untying from PSA. The first two experiments will be in two Unemployment Benefit Offices and will start shortly. They will involve a modest level of improvements and adaptation, including some structural work. Employment are particularly concerned to mount these two experiments which they consider to be typical of the sort of works problem they are often faced with

in their UBOs. We are however agreed that a wider range of experiments will be needed properly to assess the radical option we have outlined. They should consist of a range of offices where Employment and DHSS take over responsibility for the full range of works and services we have defined. The offices chosen should be in a wide range of different locations with a mixture of freehold and leasehold, old and new properties and in particular should include offices in multiple occupation with other departments. There should be controls where PSA provides the services. These should be selected to provide as exact a comparison as possible. Technical consultants will be engaged to assess the results achieved on works and building services. The views of staff in the properties concerned in the experiments should also be elicited.

9.4.7 The aim of the experiments will be to illustrate the advantages or disadvantages of departments either equipping themselves with the necessary in-house technical expertise to go direct to contractors or using consultants to provide the necessary technical advice and specification. The experiments should establish as far as practicable the advantages and disadvantages of further delegation beyond the standard option of some or all of the elements considered at 9.4.4 above.

9.4.8 The steering committee will need to draw up clear guidelines to ensure that in all aspects of the experiments like was compared with like and that the experiments cover the points raised in 9.4.6 and 9.4.7 above. It will also need to consider:

- a. guidelines for estimating the value for money of projects: for example, how projects should be defined so that all elements of the work can be estimated; what costs should be used in estimating; which milestones should be set for assessing the progress of work; how the quality of work should be assessed at the end of the project; how the performance of contractors and consultants will be measured;
- b. how to assess the impact of further delegation on departments' administrative costs taking into account the organisation departments would need in order to run the full range of services delegated to them under the radical option, how they would arrange the distribution of functions, and which resources both financial and manpower they would need to employ bearing in mind that simple extrapolation and aggregation of figures obtained from the experiments may give a misleading view of total costs;
- c. how to assess the impact of untying by some departments only on PSA's residual administration costs, bearing in mind that it might not be feasible to reduce central overheads at the same rate as operational resource costs are reduced. Account should be taken of the possible effect on PSA's organisation and deployment of resources and on its service to departments remaining on the standard option of a pro rata transfer of resources to departments taking the radical option, and of views expressed by other departments sharing accommodation on the estate with the participating departments on the potential implications for their own administration of accommodation functions;
- d. how the timeliness of projects will be assessed both in relation to each other and as compared with timetables drawn up at the beginning of projects;
- e. how problems which might be encountered in jointly occupied buildings should be assessed;
- f. how the satisfaction of staff occupying buildings in the experiments should be assessed;

h. how the departments' success in meeting their operational requirements should be assessed.

9.4.9 The steering committee should seek early advice from the Government Accountancy Service on the appropriate means of assessing the value for money of projects, ensuring that all are assessed on the same basis. Meanwhile, a careful record should be kept of staff time involved in the first experiments.

9.4.10 Some potential effects of untying will not easily be ascertainable by practical experiment. It may be possible to derive some information from those organisations which have recently set themselves up to do work independently of PSA, particularly BT. However, as BT are still in the process of disengagement from PSA, any information derived from this quarter may not be wholly valid, and it would also be useful to see what can be learnt from larger companies in the private sector, and this might be done through the medium of the PSA Advisory Board. PSA will see what can be discovered by exploring this avenue.

Funding and timing of the experiments

9.4.11 The initial two experiments are to be funded by DE. For the main core of experiments the participating departments will be funded by abatement of the Accommodation Charge for the selected offices including abatement of charges in respect of other departments in jointly occupied offices where those departments consent to the work being carried out by DE or DHSS. They would however still have to pay the assessed rents and rates. They will be asked to provide any additional funding required from within their own resources.

9.4.12 In order to allow sufficient time for the chosen sites to be selected, monitoring consultants employed, and proper advance preparation to be made it is proposed that the main core of experiments should start from 1 April 1986. In order to gain a realistic view of the problems departments will have to face in tackling new functions (and in particular given the cyclical nature of works expenditure) the experiments should run for a sufficiently long period. We recommend that a minimum of 2 years is necessary to draw any worthwhile conclusions from the experiments, but that the steering committee should present to us an interim report on progress after the end of the first year.

10. APPLICATION OF THE OPTIONS

10.1 Introduction

10.1.1 There are at present 47 separately billed clients served by PRS (excluding PSA itself). This number may vary with any future machinery of government changes but is on the whole more likely to increase than decrease as the impact of the FMI leads to the identification and emergence of more accountable units of management within departments.

10.1.2 As we pointed out in 9.1.2 it is possible to formulate a large number of options with differing delegations on each accommodation function. If the principle of self election is accepted there is scope potentially for as many variants on the basic PRS regime as there are client departments. Such a result might be understandable in terms of varying perceptions within government of the accommodation function but, as noted at the Permanent Secretaries' meeting on 10 July, a proliferation of differing PRS regimes could present PSA with an unmanageable task as a central agency. Moreover a system in which each department proceeded at its own pace would lead to severe and disproportionate administrative strains at local level since the possible difficulties which we illustrate below and in Annex 9 would be multiplied several fold. For these reasons we have mainly confined our analysis in this section to the effects of operating initially with two options, the standard and traditional, from 1 April 1987, and to identifying possible areas of difficulty in a later move to a three option system which will need to be carefully researched in the course of the experiments we have proposed on the radical option.

10.2 Advantages of a Uniform System

a. Central administration

10.2.1 At present the PRS regime is uniformly applicable to all. This has a number of advantages. For PSA the central administrative processes of establishing, raising and collecting the Accommodation Charge and the locally based work of advising departments' accommodation officers on the detailed application of the existing rules to their particular circumstances can be discharged more easily and effectively with a uniform system. PSA's estimated administrative costs of running PRS, including the advisory services at local level, but exclusive of Estate Surveying work are some £0.75m per annum.

10.2.2 There is a considerable advantage to PSA in uniformity because of the need to have efficient and effective central management of a widely dispersed regional organisation. PSA has some 150 separate district works offices, in 10 UK Regions, and there are also estates offices, area works offices, and the Regional Offices themselves. PSA staff already have to familiarise themselves with other systems than PRS - for example the differing arrangements for their various repayment clients, and with the procedures which apply to the management of the Defence Estate. There are also a few clients eg Parliament and Museums and Art Galleries who remain on allied service terms. PSA have told us that it is not at present the easiest of tasks for their staff to learn the differences in procedures and their correct application to each client, nor for line and central management to devise effective means of supervising the performance of these differing procedures and promoting uniform standards as regards the quality, propriety, and VFM of the actual services undertaken. Their senior management is continually and actively engaged in improving the central management and control of the agency and in rationalising the Agency's organisation and its development of resources. Operating more than one system of PRS will make the task more difficult.

b. Multi-Occupation

10.2.3 There are also problems raised by the degree of multi-occupation on the civil estate. This can be as high as 60% to 70% of local offices shared with one or more other departments. At present the PRS rules require the major occupier to take on certain limited additional tasks in respect of common areas but it is by no means clear what would happen in a local office where the major occupier is for example a traditional option department trying to co-ordinate the activities of departments adopting the standard or radical options. What would happen if one of those departments wanted to do works which were within its delegation but not within those of other occupying departments and which logically ought to cover the property as a whole? Does the major occupier take on the invidious task of effecting a compromise and seeking the appropriate financial contributions or does it fall to PSA? Either way there is a potentially fertile ground for confusion, friction and a not inconsiderable expenditure of scarce staff resources to make sure the machinery works smoothly. At Annex 9 we give some practical examples of the problems which might occur.

c. Legal obligations

10.2.4 Since whatever the variety of departments and PRS options in one jointly occupied building may be, the same lease will apply PSA has the added problem of reconciling a variety of delegations within one building with its legal accountability to the landlord. If landlords become concerned at PSA's ability to deliver on its obligations as a tenant because of the risk of default by occupying departments acting as PSA's agents this may affect the terms PSA is able to negotiate.

d. Efficient deployment of resources

10.2.5 Even with a limited number of options, individual departments' elections would affect other departments. PSA's resources are not infinitely divisible without loss. A progressive departure of responsibilities and funds could leave PSA less equipped and resourced to meet the needs of those departments who may elect to retain its services to an extent which cannot be readily gauged or quantified but should not be underrated. At the extreme departments who did not elect to take on more functions might find that in the event they had little option but to do so because of deficiencies in the residual services PSA was able to supply within the limited central funds remaining to it. Once functions had been dispersed and capacity reduced there would be no guarantee that PSA could readily gear itself up again to resume its former role if experience led departments to wish to revert to greater use of the Agency.

10.3 Advantages of more than one option

10.3.1 It may be that a single-option system would not be the best course of action, when some departments consider that the standard option places upon them more delegation than they feel able to handle, whilst others feel that they have the organisational structure and capacity to go further and are very interested in the radical option.

10.3.2 Small departments may not be able to manage the increased delegation under the standard option. The size of their occupation may not justify a senior or full-time post with accommodation responsibilities, but a junior or part-time officer may well not be able to perform all the duties satisfactorily. There may also be severe limits to their ability to finance increased responsibilities if actual expenditure exceeds their pro rata share of the resources released by abating the accommodation charge.

10.4 Other relevant considerations

10.4.1 It may be necessary to explain to the PAC, the Treasury and Civil Service and other Select Committees the rationale behind any new PRS system, in which there was more than one option. Individual departments might have to account for divergences in their approach to what may be seen as a common function. But equally Ministers might have to acknowledge publicly that a uniform system responds inadequately to departments' needs.

10.4.2 It is not easy to see how objective criteria could be formulated to guide departments' choice of option. DHSS and Employment are both departments with a large local office organisation and both favour the radical approach. Inland Revenue also has a large number of local offices yet favours a more conservative approach. FCO and Energy are departments with a relatively small stake in the civil estate and relatively small administrative budgets. Yet FCO is concerned at the resource implications of some aspects of the standard option while Energy are interested in the radical option. However departments' views, based on their own perceptions of their administrative and financial capacities, while to an extent subjective, should not be lightly dismissed. Departments of similar size and structure are not necessarily identical in other aspects of their internal organisation nor do they necessarily have the same accommodation needs.

10.5 Conclusions on application of the options

10.5.1 We consider that the standard option represents a better balance between PSA's central role and the impetus under the FMI to wider delegations than the present system of PRS. The developments envisaged in the standard option are not however inconsiderable and there may be significant resource implications. It is judged that there will be a considerable learning curve for local management in client departments and PSA alike both before and after they take effect on 1 April 1987.

10.5.2 We accept that PRS is unlikely to remain static and that it may in due course be demonstrated that there are good grounds for further developments after 1987. We would however argue strongly for some degree of stability whilst staff familiarise themselves with new functions and new systems.

10.5.3 We therefore consider that an orderly progression of devolution which minimises inter-departmental frictions and provides a manageable task for PSA would be best achieved if the presumption is that there is a general movement in 1987 onto the standard option. We recognise however that the standard option may not be practicable for all. We recommend that those who are considering the traditional option should open discussions with PSA forthwith. Amongst the factors to be taken into consideration should be their preferences, and capabilities, the possibility of entering into arrangements with other closely-linked departments who would be prepared to take on accommodation functions for them, the degree of joint occupation with other departments sharing the civil estate, and the consequent impact on those departments and on PSA's capacity to provide the necessary services. PSA should report back to the IDC on the outcome of these negotiations by end March 1986.

10.5.4 The experiments on the radical option should be designed as far as possible to shed light on possible solutions to problems in jointly occupied buildings. The case for proceeding after 1987 with the radical option will need to be considered in the light of the results from the experiments which we have recommended should run for two years from April 1986. Meanwhile experience will be developing through the process of joint planning and liaison of dealing with problems on a more orderly and rational basis and with a better information base. Departments will also be gaining the experience of operating under the wider delegations proposed

er the standard option. Time will also be needed to devise and set up appropriate performance indicators and monitoring systems and to gather sufficient information to form a more considered view of what PRS is actually achieving in terms of value for money. That points to a break-point in 1988 when a view will need to be taken on whether or not to proceed further.

11. FINANCIAL AND MANPOWER EFFECTS OF THE PROPOSALS

11.1 Method of Assessing Financial Effects

11.1.1 We have examined in detail PSA's estimates of the likely financial effects of the standard option and have approved the methodology used to arrive at the figures. No funds would actually be transferred. The necessary adjustments would be achieved by abating PSA's Accommodation Charge to client departments. The difference between the provision departments already hold to pay that charge and the lesser amount they would have to pay once it is abated would be available to assist in funding the new delegated functions. Departments would supplement as appropriate within their overall provision for running costs (but see paragraph 11.7.2 below).

11.1.2 The basis for estimating the extent of the abatement is to take PSA's estimate of its likely expenditure in 1987/8 on the delegated functions and to divide that amount pro rata to the space each client occupies on the Civil Estate. This method of apportionment is inevitably rough and ready and there will be both gainers and losers. Departments like FCO which potentially have higher than average works expenditure because of the nature of the buildings they occupy and a relatively small overall provision for accommodation may have more difficulties than others in managing within their pro rata share of the total funds available. There is however no other feasible method of calculating the necessary abatement.

11.1.3 Any estimates of the extent of the abatement in 1987/8 must be provisional at this stage. In order to advise departments of the provision they will need to make in 1987/8 estimates PSA will recalculate the figures in June 1986 in the light of the most up to date information then available on previous years outturn, provision in 1986/7 and prospective expenditure in 1987/8. However with appropriate caveats it is possible to make a broad assessment now of the likely order of magnitude in respect of each of the main elements of the standard option. The estimates (both of financial and of manpower effects) assume that all departments adopt the standard option in 1987/8.

11.2 Effect of Increasing Minor Works Delegation to £5000

11.2.1 The total amount of works expenditure available for distribution by abatement in 1987/8 (including expenditure by DEL between £1000 and £5000) is estimated at £8.9m. This figure when divided pro rata to space occupied (as at May 1985) gives the figures for each client shown at Annex 10.

11.3 Effects of incorporating DEL buildings into PRS and delegating internal decoration

11.3.1 Under the proposals in 8.4 no further PRS charges will be recovered from departments from 1 April 1987 to fund minor works costing £1000 or less in buildings covered by PSA's DEL. The departments concerned will retain these resources (estimated at £3.8m in 1986/87) to meet the costs of these works, either on a repayment basis from PSA or ordered direct from contractors as appropriate.

11.3.2 The estimated total amount of expenditure on internal decorations available for distribution in 1987/8 is £5.2m which would represent a further abatement of some 55 pence per square metre on the basis of May 1985 areas of occupation. This estimate is particularly susceptible to future amendment in the light of subsequent information on outturn since the present tight pressure on PSA's provision is likely to bear most severely on lower priority expenditure such as internal decoration.

11.3.3 The combined effects of the increased delegation on minor works and of delegating internal decorations are estimated to result in a reduction in the yield of the administration charge made by PSA of some £3.3m. This depends on an assumption that PSA will be able to reduce its overheads in direct proportion to the reduction in its own works expenditure.

11.4 Effect of putting Minor New Work over £5000 on repayment basis

11.4.1 The proposal in 8.6 was that those categories of minor new works specified in Annex 5 should be commissioned by departments from PSA on a repayment basis under which PSA would recover the actual works expenditure for each job plus its departmental expenses. The works element of the Charge and the associated administration charge would be abated accordingly. The extent of the abatement cannot readily be estimated because PSA does not at present record its expenditure on minor new works according to these categories, but it is possible to make a very broad assessment.

11.4.2 PSA's estimated total expenditure in 1987/88 on minor new works (between £5000 and £150,000), excluding expenditure on "collective services" (eg energy conservation, estates rationalisation and certain centrally funded programmes for particular departments) is £15.6m. Of this very roughly two thirds or some £10m might be attributable to categories of work that might be commissioned, as set out in Annex 5. The equivalent abatement of the administration charge would amount to £2.4m, though it can be assumed that this amount would be recovered as departmental expenses within the repayment system.

11.5 Combined financial effect of delegations under standard option

11.5.1 The total estimated amount therefore of the abatements in 1987/88 attributable to the standard option is £29.8m (this excludes the £3.8m for DEL buildings referred to 11.3.1 above, which is common to all options). The estimated amounts for each client department are shown at Annex 10.

11.5.2 The initial PESC transfers (for the first minor works delegation of £500 and the subsequent uplift to £1000) totalled £32.5m at 1987/8 prices. With this further transfer by abatement PSA will in effect have transferred some £62.3m in all by 1987/8, leaving it with an estimated provision for retained expenditure on maintenance and minor new works (excluding collective services) of £78.4m.

11.6 Manpower effect of standard option

11.6.1 The proposed reduction in PSA expenditure under the standard option amounts to some £13.2m at 1985/86 prices. (The transfer of minor new works to a repayment basis should be manpower neutral and is therefore excluded). PSA's best estimate of the corresponding reduction in its 1985/86 manpower complement is some 77 posts. The recruitment position for professional and technical staff has been uncertain, and it cannot be presumed that staff will be available for transfer.

11.6.2 Departments will need to consider what bids if any they would wish to make to Treasury on account of their assessment of additional manpower requirements in consequence of the proposals in this report. We do however note that there are 47 PRS clients in all. In practice individual departments are unlikely to prevail by praying in aid of any manpower bids a notional share of such limited reductions in PSA's overall complement.

11.6.3 The manpower effects on client departments cannot be estimated. The effect will be incremental since the functions are already being discharged albeit at a much lower volume (negligible in the case of internal decoration). Each department will have to form its own assessment and much will depend on how the functions are

to be organised as between central accommodation sections and local offices. It does however seem inevitable that, particularly when taken with the need to implement the action plans arising from the MDR, increasing pressure will be put on existing staff working on accommodation within departments, and that this will bear particularly hard on those departments with limited overall manpower resources, although such is the general tightness of present manpower ceilings that even in larger departments the scope for amelioration is likely to be very limited.

11.6.4 Some relief may be obtained if our proposals on joint planning and liaison and the combined effect of our proposals as a whole succeed in reducing friction and lessening operational losses due to delays and inefficiencies in the present system. However there will also be a significant manpower input in setting up the new arrangements. Overall our judgment is that the manpower resources in departments devoted to accommodation are likely as a result of these proposals to increase by more than the projected reduction in PSA's manpower. The general view of the Committee is that this should not of itself rule out moving ahead with the proposals in 1987/8 since we note that the MDR has already recommended that a higher priority should be given to accommodation. We are however concerned that the manpower effects should be closely monitored (see our recommendations in Section 12).

11.7 Problems of funding

11.7.1 We have already noted that the method of financing the changes we have proposed will produce some gainers and some losers - to what extent we cannot assess since PSA cannot predict what its expenditure would have been on each individual department's occupations. However those of us who represent client departments and PSA itself feel bound to draw attention to our strongly held view that the overall provision made for works services is at present seriously underfunded, as illustrated by PSA's persistent backlog of expenditure on maintenance, and its limited provision for minor new works.

11.7.2 Our proposals will simply transfer PSA's level of funding to client departments. Whilst there may be scope for obtaining better value for money on minor works which will in future be untied from PSA most of us do not expect this to suffice to remedy the overall deficiency in funding, which we consider to be evidenced by the poor condition of many of our offices. Whilst the greater measure of financial responsibility we have proposed will enable departments to assess priorities within their overall running costs and, if they judge it appropriate, to devote more resources to accommodation, we are bound to note that overall running costs are themselves being subjected to progressively tighter restraints, and that the degree of flexibility may therefore in practice be seriously limited for many departments.

11.7.3 Some of us think that it is a likely consequence of our proposals that government expenditure on minor works as a whole will increase, as any overall underfunding is remedied by supplementing from other departmental funds.

11.7.4 An alternative solution would have been to remedy any underfunding by granting greater provision to PSA to continue with its existing central functions. One test of the success or otherwise of our proposals must necessarily be whether in the event departments succeed in obtaining better value for money by achieving a higher volume of output for their delegated expenditure. Such assessments are not easily made, but we make some suggestions in section 12 on possible ways of monitoring the effects of our proposals.

12. REVIEW AND MONITORING

12.1 Ministerial Requirements for Policy Evaluation

12.1.1 Ministers collectively have ruled that new policy proposals or reviews when existing policies are being reassessed should contain appropriate proposals for means whereby their effectiveness can be evaluated.

12.1.2 They have decided that it should be clear what is to be achieved, by when and at what cost, and how this achievement is to be measured. This means that arrangements must be made at the start to set up suitable performance indicators against which the policy can subsequently be assessed.

12.2 Defining What is to be Achieved

12.2.1 Policy evaluation is rarely easy. Much depends on making the initial objectives as clear as possible. This is particularly difficult in the area which this report deals with because we are concerned with what is a support function for departments ancillary to their main operational objectives, but a main function for PSA. Drawing from our analysis of the issues in the preceding sections the following main objectives emerge:

- a. that PSA should be better able with the assistance of departments to discharge its objectives of providing economically and efficiently for the present and planned future needs of clients and reducing the amount of vacant space on the estate to the minimum;
- b. that departments should be better able with the assistance of PSA to discharge their objectives of ensuring that all staff and functions are adequately accommodated in suitable locations with due regard to economy, to the appropriate space standards, and to the need to provide working conditions conducive to the effective discharge of the department's business;
- c. that both PSA and departments should jointly ensure that insofar as funding constraints permit the value and operational fitness of the estate is maintained;
- d. that better value for money should be achieved for expenditure on accommodation whether undertaken by PSA or by departments and coupled with this that the resource costs of operating the new system should be proportionate to the results achieved.

12.3 Measuring Performance

12.3.1 Measurement must necessarily be by a mixture of qualitative assessment and quantitative indicators. Some elements can be quantified - for example the amounts of surplus space identified by departments through their occupation audits and accepted by PSA for reallocation or disposal under the criteria we have proposed, the speed at which PSA is able to dispose or reallocate, and the consequent net reductions in the size of the estate and the net financial savings achieved. Another example would be numbers of staff engaged in PRS work during 1986/87 and in subsequent years from 1987/88 onwards - and similarly with estimated administrative costs. Other elements can be assessed in part by sampling, for example taking an appropriate range of proposed works and assessing time, cost, and standard of work, comparing performance by PSA in 1986/87 with performance by departments after delegation in 1987/88.

12.3.2 Most of the assessment must however be qualitative and we suggest that the proposals we have made for joint planning and liaison provide a suitable mechanism for PSA and departments jointly to assess the success or otherwise of what is being achieved on the ground, for each to report centrally on their findings at least once a year, for an agreed assessment of experience to date to be drawn up subsequently between PSA and each client department at Headquarters level, and for a careful analysis of the overall results to be reviewed by the IDC and reported with their comments to Permanent Secretaries

12.4 Action Needed

12.4.1 The proposals set out in 12.3 above are necessarily outline at this stage and will need careful development before they are adopted since there will be some resource input in setting them up and running them, and there are many obvious pitfalls which need to be avoided in the process of detailed design if valid results are to be obtained. We therefore recommend that if the proposals in this report are accepted PSA, with the assistance of Treasury and MPO, should as a matter of priority develop detailed proposals for appropriate performance indicators, monitoring and review and put them to the IDC by end February with a view to implementation on 1 April 1986.

Rec 22

13. ACTION PLAN FOR IMPLEMENTATION

Rec 23 13.1 If the proposals in this report are accepted, we suggest that the action needed to enable implementation to take place by 1 April 1987 should be as follows:

CHOICE OF OPTIONS

by end February 1986 any departments electing for traditional option make their case to PSA;
by end March 1986, PSA reports to IDC on outcome of negotiations;
[if needed] further report by IDC to Permanent Secretaries on any outstanding issues.

PREPARATION OF GUIDANCE

by end February 1986 PSA presents to IDC revised draft financial procedures for PRS to replace DAO 4/84;
by end March 1986 revised financial procedures issued;
by end March 1986 PSA issues revised statement of roles and responsibilities under the standard option;
by 1 April 1986 PSA issues guidance for accommodation managers on carrying out delegated works functions;
by end June 1986 departments issue internal guidance on organisation of delegated functions;

TRAINING

by end February 1986 PSA writes to PEOs giving details of new training courses on PRS and inviting nominations;
by end April 1986 first courses start.

JOINT PLANNING AND LIAISON

by end April 1986 sub group reports to IDC on experiments with recommended guidelines;
by end May guidelines issued and departments start to discuss arrangements with PSA;
by end July first full round of joint planning and liaison meetings starts between PSA and all client departments prior to preparation of estimates.

ESTIMATES

by end June 1986 PSA issues to departments provisional forecast of Accommodation Charge for 1987/88 as abated to take account of delegations.

ESTATES RATIONALISATION

by end February 1986 Treasury and PSA present paper to IDC giving guidelines on methods of dealing with financial disincentives to "losing" departments;
by end March 1986 guidelines issued.

MONITORING AND REVIEW

by end February 1986 PSA presents paper to IDC with detailed recommendations for performance measures and monitoring;
by end March 1986 measures set up and monitoring starts.

13.2 As to further development after 1987 we suggest the following:

by end February 1986 steering committee reports to IDC with detailed proposals for experiments on radical option and their monitoring and assessment;
by end March 1986 PSA presents paper to IDC on the relationship between minor works expenditure and the amounts received from departments through PRS, and further analysing the possible alternatives to the present method of recovery;
by 1 April 1986 radical option experiments and monitoring start;
by end April 1987 the steering committee presents its interim report to IDC on progress during the first year of experiments;
by end March 1988 experiments concluded;
by end May 1988 IDC reports to Permanent Secretaries with assessment of experiments and PRS to date and makes recommendations on any further changes needed.

14. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

For ease of reference recommendations are numbered and conclusions lettered in the order in which they appear in the report.

THE PRESENT PRS SYSTEMS: ROLES AND RESPONSIBILITIES

(1) By end March 1986 PSA should issue statement of roles and responsibilities along the lines of section 7, amended to take account of whatever changes to the system are agreed, to all departmental Accommodation Managers and circulate it widely within PSA (7.1.2).

MAINTENANCE AND MINOR WORKS

(2) The present delegation for maintenance and minor new works within which departments go direct to contractors should be increased from £1,000 to £5,000, but retaining the present technical exclusions and the need to consult PSA on minor new works. The new limit should be uplifted automatically at appropriate intervals to allow for inflation and PSA should agree an appropriate mechanism with Treasury (8.3.10).

DIRECTLY EMPLOYED LABOUR (DEL)

(3) The present DEL exclusion should be removed with effect from 1 April 1987 to permit accommodation managers to commission work from them on repayment terms within the proposed minor works delegation, and to go direct to contractors where DEL cannot undertake the required work (8.4.6).

INTERNAL DECORATION

(4) Full delegation should take place from 1 April 1987; the intervening period should be used by PSA and departments to prepare fully; those departments who wish to do so and have the necessary funds being enabled to carry out further schemes during 1986/87 (8.5.4).

MINOR NEW WORKS (8.6)

(5) We recommend that the categories of minor new work set out in Annex 5 should be placed on a repayment basis from 1 April 1987 and that the procedures adopted for the safety valve should be those set out in Annex 6.

FUEL AND UTILITIES (8.8.4)

(6) The present system of centralised payment of fuel and utilities accounts by PSA should be left unchanged for the time being; but other means should be sought of making comparable information about cost and consumption available to departments; and the possible benefits and disbenefits of direct billing should be examined further in the context of the proposed experiments on the radical option.

(7) As a first step, PSA should provide to departments quarterly reports of fuel consumption for each property they occupy; the first reports to be circulated in January 1986.

(8) Departments should take steps to distribute improved information on consumption, when available, to local Accommodation Offices or other appropriate points in their organisation; the relevant tariff information should be obtained locally, from the District Works Office.

(9) Departments should be made aware of the specialised tariff - checking exercise being undertaken by PSA's consultants, in order to avoid duplication of effort.

(10) PSA should accord a high priority to work on the development of a more comprehensive system for reporting cost, consumption and tariff information to departments.

(11) Departments should take steps to ensure that all staff concerned with the management of accommodation receive adequate information, advice and training on energy conservation measures.

(12) Departments should consider the feasibility and possible benefits of installing water meters in properties they occupy, where this has not already been done.

JOINT PLANNING AND LIAISON

(13) There should be a fully developed system of joint planning and liaison operating for all departments in time for implementation of the proposed changes to PRS on 1 April 1987. (8.9.4).

INFORMATION REQUIREMENTS (8.10)

(14) PSA should aim as a priority task to develop a new electronic system to include in a uniform way appropriate items from the list of minimum requirements. The aim should be to have this information held electronically in a uniform way no later than 1 April 1988.

(15) In the interim PSA should make available the information in the form in which it exists at present with such manual collation and adaptation of format as resources permit or the results of the experiments on joint planning and liaison suggest.

(16) In further defining the operational requirements for its new data base and outlining its proposals PSA should maintain close liaison and consultation with our sub-group on information requirements at each stage of development.

VIABLE VACANT SPACE

(17) The criteria set out in the Annex to our interim report should be reviewed after they have been in operation for two years (8.11.4).

TRAINING AND GUIDANCE

(18) PSA should issue comprehensive guidance on the conduct of all delegated functions by 1 April 1986 (8.12.1).

(19) The training programmes agreed with departments should be extended to cover specifically the procedures for dealing with delegated works (8.12.3).

THE OPTIONS

(a) Three options have been identified:

The traditional option would be the existing system of PRS as set out in section 7. The minor works delegation would remain at its present level, though adjusted periodically for inflation, and departments taking this option would still look to PSA for work on internal decorations exceeding £1,000. The proposals in 8.4 for incorporating buildings served by DEL into PRS would apply but only within the £1,000 limit (9.2.1).

The standard option comprises an extended minor works delegation of up to £5,000, commissioning PSA on repayment terms for certain minor new works, delegating internal decoration, and the safety valve arrangements for certain minor new works up to £25,000 (9.3.1).

The radical option would involve removing the technical exclusions and departments would be untied for maintenance up to £100,000, and for all minor new works (up to £150,000). Departments would need to equip themselves with sufficient in-house technical capacity either to instruct consultants or go direct to contractors (9.4.4).

(b) Experiments will be needed to assess the radical option (9.4.6 to 9.4.10 set out our proposed criteria).

(20) The main core of experiments should start from 1 April 1986 and should run for a minimum of 2 years, with an interim report after the first year (9.4.12).

APPLICATION OF THE OPTIONS

(21) An orderly progression of devolution which minimises inter-departmental frictions and provides a manageable task for PSA would be best achieved if the presumption is that there is a general movement in 1987 onto the standard option. We recognise however that the standard option may not be practicable for all. Those departments who are considering remaining on the traditional option should open discussions with PSA forthwith. PSA should report back to the IDC on the outcome of the negotiations by end March 1986 (10.5.3).

(c) The case for proceeding after 1987 with the radical option will need to be considered in the light of the results from the experiments which should run for two years from April 1986. That points to a break point in 1988 when a view will need to be taken on whether or not to proceed further (10.5.4).

FINANCIAL AND MANPOWER EFFECTS OF THE PROPOSALS

(d) The necessary financial adjustments would be achieved by abating PSA's Accommodation Charge.

(e) The basis for estimating the extent of the abatement is to take PSA's estimate of its likely expenditure in 1987/88 on the delegated functions and to divide that amount pro rata to the space each client occupies on the civil estate (11.1.2).

(f) The total estimated amount of the abatements in 1987/88 attributable to the standard option is £29.8m. The estimated amounts for each client department are shown at Annex 10 (11.5.1).

(g) PSA's best estimate of the corresponding reduction in its 1985/86 manpower complement is some 77 posts. Departments will need to consider what bids, if any, they would wish to make to Treasury in consequence of the proposals in this report. We do however note that there are 47 PRS clients in all (11.6.1, 11.6.2).

(h) Our judgment is that the manpower resources in departments devoted to accommodation are likely as a result of these proposals to increase by more than the projected reduction in PSA's manpower. We note that the MDR has recommended that higher priority should be given to accommodation. We are however concerned that the manpower effects should be closely monitored (11.6.4).

(i) One test of the success or otherwise of our proposals must necessarily be whether in the event departments succeed in obtaining better value for money by achieving a higher volume of output for their delegated expenditure (11.7.4).

REVIEW AND MONITORING

(22) PSA should present detailed proposals to the IDC for performance indicators, monitoring and review by end February 1986 with a view to implementation from 1 April 1986 (12.4).

ACTION PLAN FOR IMPLEMENTATIONS

(23) If our proposals are accepted, the action plan set out in section 13 should be adopted.

LIST OF PRS CLIENTS
 CIVIL ESTATE - DEPARTMENTAL ACCOMMODATION HOLDINGS
 RECORDED AS AT 30 MAY 1985

DEPARTMENT	AGENTS LETTING AREA - M ²				DEPT TOTAL AS % OF CIVIL ESTATE
	OFFICE	STORAGE	SPECIALISED	TOTAL	
MAFF	186,921	490,257	89,768	766,946	8.11
CAB OFF	11,666	NIL	211	11,877	0.13
COI	15,675	7,493	95	23,263	0.25
CHAR COMM	5,734	NIL	NIL	5,734	0.06
CUST & EXC	378,343	16,510	11,382	406,235	4.30
MOD	573,961	22,823	58,646	655,430	6.94
ED & SC	46,827	NIL	3,368	50,195	0.53
EMPL	546,170	1,470	5,013	552,653	5.85
ENERGY	30,868	NIL	2,706	33,574	0.35
DOE	115,147	14,197	76,355	205,699	2.18
ECCD	31,148	1,798	NIL	32,946	0.35
FCO	88,726	4,161	55,850	148,737	1.57
R F SOCY	2,889	NIL	NIL	2,889	0.03
GOVT ACTY	2,126	NIL	NIL	2,126	0.02
DHSS	1,353,809	63,827	74,451	1,492,087	15.79
HOME OFF	156,621	239,616	124,820	521,057	5.51
OFTEL	2,260	NIL	NIL	2,260	0.03
INL REV	1,319,384	48,451	3,120	1,370,955	14.50
IBAP	6,461	24,104	NIL	30,565	0.32
LCD	144,985	23	316,310	461,318	4.88
MPO	32,080	NIL	17,125	49,205	0.52
N INV & LOAN O	1,344	NIL	NIL	1,344	0.01
DNS	71,491	117	NIL	71,608	0.76
NEDO	4,172	NIL	NIL	4,172	0.04
OFF FAIR TRAD	7,483	NIL	NIL	7,483	0.08
ODA	21,427	6,929	11,755	40,111	0.42

LIST OF PRS CLIENTS
 CIVIL ESTATE - DEPARTMENTAL ACCOMMODATION HOLDINGS
 RECORDED AS AT 30 MAY 1985

DEPARTMENT	AGENTS LETTING AREA - M ²				DEPT TOTAL AS % OF CIVIL ESTATE
	OFFICE	STORAGE	SPECIALISED	TOTAL	
OPCAD	2,120	NIL	NIL	2,120	0.02
PGO	12,886	NIL	NIL	12,886	0.14
OPCS	41,101	9,997	NIL	51,098	0.54
PRIVY CO	1,428	NIL	NIL	1,428	0.01
PSA	262,636	53,390	44,358	360,384	3.81
PRO	1,620	31,019	41,380	74,019	0.78
DT&I	244,761	44,682	127,958	417,401	4.42
DTp	218,531	53,705	171,233	443,469	4.69
TREASURY	50,553	NIL	5,117	55,670	0.59
T. SOL	16,347	417	955	17,719	0.19
WELSH OFF	57,780	4,695	8,348	70,823	0.75
NI OFF	2,940	NIL	8,936	11,876	0.13
NI COURT	53	NIL	NIL	53	0.0005
SCOT OFF	126,751	57,284	34,353	218,388	2.31
CR OFF SCOT	14,987	NIL	4,924	19,911	0.21
D REG SCOT	10,686	NIL	NIL	10,686	0.11
GEN REG SCOT	5,762	1,613	NIL	7,375	0.08
SC CTS AD	5,713	NIL	58,769	64,482	0.68
OAL	1,297	NIL	NIL	1,297	0.01
PSA CONF	3,172	NIL	3,404	6,576	0.07
VACANT	348,724	188,596	118,414	655,734	6.94
TOTALS	6,587,566	1,387,174	1,479,124	9,453,864	100%

SCRUTINY ON THE DISPOSAL OF VACANT ACCOMMODATION AND LAND - TERMS OF REFERENCE

A. To examine PSA's current arrangements for the identification and management of vacant or surplus land and buildings on the civil estate; to examine the criteria used to decide whether land and buildings not in current use should be disposed of or might reasonably continue to be held pending imminent redevelopment or reallocation; to identify any shortcomings; and to make recommendations on how policies and procedures should be revised to make a more effective contribution to reducing the size and cost of the estate.

B. To examine PSA's procedures for the disposal of surplus land and buildings on the Civil and Defence Estates in the UK; to identify any shortcomings; and to make recommendations for improvement.

MINISTERS' POWERS TO ACQUIRE LAND

MINISTER	ENABLING ENACTMENTS	PURPOSES OF ACQUISITION
Secretary of State for the Environment	Commissioners of Works Act 1852 s.2 Town and Country Planning Act 1971 s.113 Courts Act 1971 s.28 Community Land Act 1975 s.37	Land 'for the public service' plus certain lands which could sensibly be acquired with such land and land for certain international bodies
	Ancient Monuments and Archaeological Areas Act 1979 ss. 10, 11, 15 and 16 National Parks and Access to the Countryside Act 1949 s.14 Historic Buildings and Ancient Monuments Act 1953 s.5 Land Commission (Dissolution) Act 1971 S.3(2)	Other purposes implicit in titles of enabling enactments
Minister of Agriculture, Fisheries and Food	Ministry of Agriculture and Fisheries Act 1919 s.1(2) Agriculture Act 1947 ss.82, 83, 84, 86, 88, 89 and 103 Agriculture Act 1967 s.29 Agriculture Act 1970 s.55	Agricultural use (including letting land for such use). Agriculture research, placing land at the disposal of the Forestry Commission for forestry, and small holdings
	Forestry Act 1967 ss.39(1) and 40 and Schedules 4 and 5 Countryside Act 1968 ss.23(3) and 24(2)	Forestry and the provision of tourist, recreational and sporting facilities and (in England and Wales only) land which ought to be used for planting trees in the interest of amenity
Secretary of State for Defence	Various Defence Acts and Military Lands Acts Defence (Transport of Functions) Act 1964	Defence of the Realm
Secretary of State for Energy	Land Powers (Defence) Act 1958 s.13	Construction of oil storage installations essential to the defence of the Realm
Home Secretary	Prisons Act 1952 s.36	Prisons and accommodation for prison officers
Secretary of State	Local Employment Act 1972 S.5(1)(a)	Building factories for provision of jobs
Secretary of State for Scotland	A wide range covering all the purposes mentioned in the next column	Ancient monuments, trunk roads and motorways, offshore petroleum development, taking properties in lieu of death duties, harbours, research, agriculture (including crofts and small holdings), forestry, civil defence, health and prisons

MINISTER	ENABLING ENACTMENTS	PURPOSES OF ACQUISITION
Secretary of State for Social Services	National Health Service Act 1977 s.87	The National Health Service
Secretary of State for Transport	Civil Aviation Act 1949 ss.16 and 23	Aerodromes
	Highways Act 1959 Part X Highways Act 1951 Part III	Trunk roads and motorways
Secretary of State for Wales	A wide range covering all the purposes mentioned in the next column	Health, education, planning, agriculture, transport, ancient monuments

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INDIVIDUALLY ASSESSED RENTS

7. The decision to continue to use assessed rather than actual rents has been taken by Ministers. The Secretary of State for the Environment's letter of 8 October 1984 explained the basis for the decision. The purpose of charging rents to departments is to indicate the true cost of the accommodation they use. Departments need to know the true cost of the accommodation they occupy in order to use it efficiently and to take properly informed decisions in relation to changes to their requirements. The true cost of departments using accommodation is the alternative use foregone (the opportunity cost) and this can be measured by the assessed open market rent. If the accommodation was not occupied by the departments PSA might be able to dispose of it or alternatively reallocate it to another department occupying a building on which a higher actual rental is being paid allowing that building to be given up. In general, this opportunity cost can be measured by the rent at which a willing tenant would lease the accommodation from a willing landlord on the open market. Rents actually paid by PSA would not normally reflect the true cost of using the accommodation. This is not obviously seen where departments occupy buildings owned freehold by the Crown: if departments were allowed to occupy these without paying any rent to PSA, just because PSA paid not rent themselves, then the costs to the Exchequer of not being able to dispose of the buildings through sale would not be reflected anywhere in the system. It is true that in some instances even rents based on open market values may not reflect the full opportunity cost, ie where the site could be developed or there could be a change of use. On the other hand such potential is rarely taken into account by commercial landlords in setting their own rents either. It would also be virtually impossible to quantify that potential. What is clear is that rents based on open market valuations are a much better approximation to the true economic costs than the rents (if any) that PSA actually pay themselves.

8. There are also practical considerations. If opportunity costs rents were not charged a department occupying a freehold or a lease with a historically low rent would be faced with a substantial increase in charges for which it would have no provision if for operational or other reasons it moved to a building where a current market rent was payable. Moreover since negotiations over rent reviews in the market are frequently prolonged including possible reference to arbitration, of uncertain duration and uncertain results departments would risk being faced with in-year increases in rents for which no provision had previously been made in estimates. It should be noted that where Management Cost Accounting has been developed in the private sector to take account of the cost of accommodation the general practice is to charge out the market value.

9. Ministers have also accepted that in order to accommodate the staged review of occupations (see paragraph 6) within the PES cycle it will be necessary to make annual adjustments to rents in the years between each quinquennial review (the Secretary of State for the Environment's letter of 11 April 1985 refers). The amount of each annual increase within the five year cycle will be based on the forecast GDP deflator (as discussed earlier this year in the Inter-departmental Committee of the PRS (IDC)). If market rents move ahead faster than this departments will be faced with above average increases when the formal five yearly reviews are carried out. But if market rents increase at a slower pace there will be a correspondingly lower increase (or possibly in some cases a reduction) when the formal review is due.

COMMISSIONING OF PART II WORKS

Not all Part II works will be open for commissioning from PSA. PSA will continue to have financial responsibility for various types of works, chiefly those affecting the nature and structure of the holding.

Departments might commission the following types of work:

Internal partitioning

Fitting of new internal doors

Wiring work associated with partitioning etc including installation of new electrical sockets

Installation of water meters

Occupational and fitting out works for agreed new occupations

General refurbishment

provided that no part of the work fell into the excluded categories below.

Work for which PSA will retain financial responsibility.

Any work the responsibility of the landlord, adjoining landowner, local authority or statutory undertaker.

Any work requiring planning permission under the Town and Country Planning Acts but not work requiring building regulations or listed building consent.

Any other work that would alter the size of the holding.

The creation of new car parking spaces

The creation of new access to the site or building

Roofing

Demolition of any external or load bearing wall

The installation, alteration, replacement or renewal of mechanical and electrical plant, heating and hot water appliances, lifts, lifting appliances, alarms, air conditioning units, window cleaning access equipment, mechanically operated doors etc.

Major rewiring (e.g. of whole building)

Installation of fire fighting equipment

Installation of connection to public utility services (other than water meters)

Installation of sewage treatment plants, septic tanks etc

Major replumbing works and works to install or remove sanitary facilities.

SAFETY VALVE

Introduction

1. These procedures apply only to Part II services. Their aim is to allow departments to dispense with the requirement to commission PSA where they consider, after due investigation, that PSA's proposals will take too long to implement or cost too much. The upper limit will be £25,000 index-linked.

2. Where a department has reservations about the timetable or order of cost offered by PSA, it should seek to resolve these in joint discussion at working level. The aim should be to reach a view within 3 weeks.

3. Both sides in the dialogue should identify and agree upon the precise requirements, the specification and the major components of PSA's timetable (including any constraints imposed by the need to obtain landlord's consent), and estimate for the task, including works and resource costs. PSA must draw the client department's attention to health and safety and legal requirements or lease conditions, to any appropriate technical, design or value for money factors and to any relevant constraints implied by contractual procedures and proprieties.

RESPONSIBILITIES AND DELEGATION

4. The aim should be to reach agreement between the client and PSA on:

- a. PSA carrying out the scheme to the original timetable and specification, subject to any agreed amendments
- b. PSA carrying out a scheme to a faster timetable, or at lower cost
- c. the client department proceeding independently of PSA

5. Agreement to (c) may only be reached after discussion between PSA Regional Director and the client's representative at not less than Grade 6 level.

6. It is open to PSA and the client (as defined in para 5) to agree that the client may proceed independently. In such cases the client should be urged (but cannot be required) to obtain estimates of time and cost from consultants of standing. Responsibility for the project will rest with the client, the PSA exercising only its responsibility as "landlord" to ensure that the building is not affected structurally.

7. If agreement cannot be reached (for example, if the PSA believe that the proposed work will break lease conditions or affect adversely other projects) the client departments representative and the PSA Regional Director will refer the issue to their respective Headquarters (to DCA in the PSA case) with reasons for the conflict.

8. If the conflict cannot be resolved at HQ within 2 weeks of notification the client will be free to proceed without the agreement of PSA, but must take full responsibility for the consequences.

GENERAL

9. Where agreement is reached at Regional level to allow a client to proceed independently, the PSA Regional Director should notify DCA after agreement is reached, and give brief details so that the overall operation of the safety valve can be monitored.

10. The safety valve is to be operated with common sense and discretion. Unreasonable refusal by PSA, or indiscriminate insistence on its use by clients will invalidate the intention of providing for smoother operation of PRS and lead to disproportionate administrative costs.

CRITERIA FOR ACCEPTANCE OF VACANT SPACE AS VIABLE

1. Space of any size will be accepted as viable if it comprises an entire holding in itself or if it comprises a department's entire occupation within a holding.
2. Office and Storage space of more than 350m² which constitutes a single unit will be accepted as viable provided that there are no security or access constraints to prevent reallocation.
3. Office and Storage space of less than 350m² which does not comprise an entire holding in itself or a department's entire occupation within a holding will be accepted as viable if there are no legal constraints to disposal and if the estate surveyor is satisfied that there are realistic prospects for reallocation.
4. Vacant space within a specialised holding will only be accepted as viable if it comprises a department's entire occupation within that holding or if the estate surveyor is satisfied that there are realistic prospects for disposal or reallocation.
5. Space will not be accepted as viable if none of the criteria set out above are met.
6. Space which is not currently viable may however be accepted as such subsequently if and when agreement has been reached between PSA and the departments concerned on a scheme of estate rationalisation.
7. Where a department wishes PSA to hold vacant space in a specific building for a future operational requirement and that space could otherwise have been disposed of or reallocated the department will be required to pay the normal accommodation charge under PRS.

8. Where a new occupation has been provided by PSA on a long-term basis with the consent of the client department and to an agreed space requirement and the department subsequently decides after PSA has incurred the liability that it has overestimated its requirement or no longer has a requirement then the excess space should be notified as vacant to PSA. PSA will show it as such in its returns on vacant space and be required to dispose or reallocate as soon as practicable but the department will be required to pay the accommodation charge until such time as PSA disposes or reallocates or a period of 5 years has elapsed from the date of occupation (or where a department does not in the event occupy, from the date when it was offered for occupation) whichever comes first.

ANALYSIS OF PSA AND DEPARTMENTAL RESPONSIBILITIES UNDER THE THREE OPTIONS

FUNCTION	TRADITIONAL	STANDARD	RADICAL
Accommodation Charge	Departments pay as at present (7.4.1)	Departments pay charge minus pro rata abatements in respect of delegated functions	Departments pay residual charge to PSA in respect of retained works
Internal decoration	PSA calculates and levies charge (7.4.2)	PSA calculates abatements	
Maintenance	Departments fund and carry out decoration up to £1,000	Departments fund and carry out all internal decoration	As for standard option
	Departments fund and carry out works up to £1,000 subject to specified exclusions (7.5.2) and subject to use of DEL	Departments fund and carry out works up to £5,000 subject to specified exclusions and subject to use of DEL	Departments responsible for all maintenance up to £100,000 and for managing associated DEL, subject to consultation with PSA and to agreed phasing of the hand-over
Minor New Works (under £150,000)	PSA deals with all other maintenance (7.5.3)	PSA deals with all other maintenance	PSA responsible for major maintenance (over £100,000)
	Departments fund and carry out works up to £1,000 subject to consultation with PSA (7.5.2) and subject to use of DEL	Departments fund and carry out works up to £5,000 subject to consultation with PSA and subject to use of DEL	Departments responsible for all minor new works (up to £150,000) and for managing associated DEL, subject to consultation with PSA and to agreed phasing of the hand-over

FUNCTION

TRADITIONAL

PSA deals with all other minor new works (7.5.3) and acts on repayment terms for all minor new works on specialised accommodation

STANDARD

PSA deals with retained minor new works, and carries out certain minor new works for office and storage, and all minor new works for specialised accommodation, under commission on repayment terms (subject to safety valve).

RADICAL

FUNCTION	TRADITIONAL	STANDARD	RADICAL
Major new works (over £150,000)	Reserved to PSA (7.5.3)	Subject to further consideration by the IDC (8.7)	
Health and Safety	Departments responsible for functions identified in (7.6.1)	No change	Departments responsible for <u>all health, safety and fire functions</u>
	PSA responsible for fire systems and advice as indicated in (7.6.2)	No change	
Other responsi- bilities (fuel and utilities, estate management, energy conservation)	Departments (see 7.7.1)	No change	Departments responsible for running their own heating systems, and pay bills direct on sole occupations
	PSA (see 7.7.2)	No change	PSA maintains responsibility for energy conservation programme and for estate rationalisation.
Provision of Accommodation	Departments identify needs etc (7.8.1)	No change except that departments commission fitting out works	No further change
	PSA provides (7.8.2)		
Disposal of Accommodation	Departments identify surplus space (4.9.1)	No change	No change

PROBLEMS WITH APPLICATION OF THE OPTIONS:

POSSIBLE SCENARIOS

CASE A

DHSS have a local office shared with Inland Revenue and MSC. Inland Revenue have taken on the standard option, DHSS the radical and MSC is a repayment client with a formal "Memorandum of Terms" (MOT) governing the services provided for it by PSA. MSC in fact has the largest ALA in the property, but IR is the major occupier under PRS. DHSS wishes to renovate the lifts, refurbish toilets and replace the antique boilers with a more efficient heating system. Under their "radical option" agreement with PSA they are entitled to undertake the work. Landlord's consent is needed which PSA must obtain. However the work (estimated cost £60,000) will benefit all occupants, and prima facie DHSS would expect proportional financial contributions.

Questions

What rights do IR and MSC have in respect of DHSS's proposals? What happens if MSC sticks by the letter of its MOT under which works services are to be provided by PSA on repayment terms as commissioned by MSC and not otherwise? Or if MSC consents to the works but refuses to contribute? Or if IR agrees in principle to the works, but then turns to PSA as these are excluded works to find that PSA cannot give the work sufficient priority for the limited funds available? Who is responsible for resolving such dilemmas and at what level do we expect agreement to be reached between the parties after what expenditure of staff time and effort?

Comment

PSA in this scenario has the responsibility of obtaining the landlord's consent and of advising IR on the technical aspects of the proposals. It does not advise DHSS who it is assumed have their own source of technical advice. It also acts as agent for MSC. It has an interest in a solution which satisfies all parties and benefits the property but has no command over the overall funding and no means of enforcing any decisions on the parties. DHSS as the initiator of the proposal might be expected to take on the role of co-ordinating and cajoling, but it too will be unable to enforce agreement other than at the expense of waiving any financial contributions.

CASE B

The same local office but the property is now freehold and DHSS is the major occupier. IR are concerned about a leaking roof which has rendered a number of its offices non-operational. It turns to PSA who advise that temporary patching is not likely to solve the problem, the whole roof needs replacing with attendant work to the guttering. DHSS has delegated powers which would enable it to deal with the roof repair works (at an estimated £20,000). PSA can provide a financial contribution but only proportional to the IR occupation. DHSS is however reluctant to undertake the works since it is correctly advised that its own offices on the lower floors and annex are unaffected by the leaking roof which is causing such concern to IR. MSC are similarly unaffected.

Comment

PSA here has an additional concern to maintain the value of a Crown building. Its responsibilities as property manager and adviser to IR clash with its responsibilities as agent for MSC and with DHSS's delegated powers on maintenance. There is an obvious resolution whereby PSA foots the whole bill, but what of DHSS's obligations as "major occupier" (and remember that MSC does in fact still have the largest floor area)?

CASE C

Same local office but now department x (on the traditional option) is the "major occupier". This time the water penetration is caused by x having omitted to discharge its obligation to clear the gutters of the usual autumn collection of fallen leaves. The DHSS offices in the annexe are inundated, and substantial redecoration and refurbishment is required. DHSS has the power to do all the necessary work but requires a contribution from x. X sees the moral justification for a contribution but has no spare funds left within its exiguous cash limit.

Comment

PSA has no works locus at all in this case. As property manager it is concerned at X's default but cannot impose on it compensation for DHSS. It holds no funds itself to cover the works. DHSS has no redress and no alternative but to foot the bill.

CASE D

Inland Revenue is planning a rationalisation of two local offices into one. The chosen office is operationally preferable and will yield significant PRS savings over and above the ancillary works costs. PSA is in full support since there is an opportunity to dispose of the other holding. However the chosen office has needed Part II works for some time and the IR staff side are insisting that the work should now be done before the move takes place. IR have the powers to commission PSA on repayment terms, but have noted that DHSS is an existing minor occupier and are advised by PSA that the most cost-effective solution which would minimise the works bill to IR would be total refurbishment of the whole office under one contract let by PSA. DHSS welcome the prospect of refurbishment (their staff side has also been agitating) but take a stand in principle that they can get the work done more cheaply without using PSA. IR accept PSA advice and are reluctant to invoke the safety valve. Stalemate.

Comment

Two possible resolutions here. IR can go ahead with a partial refurbishment excluding DHSS - patently uneconomic or invoke the safety valve. Alternatively PSA could submit to the DHSS pressure and advise IR to let DHSS handle the work. But PSA would be chary about the precedent attached to such ad hoc deals, and it would be unlikely to concede without taking the issue to a higher management level.

CASE E

For this case the assumption is that there are only two options, standard and traditional. In the jointly occupied office department x on the traditional option is the major occupier sharing with Customs and Excise, which has elected for the standard option. C&E want to rationalise and refurbish their occupation concentrating their staff on two instead of three floors. Some minor repartitioning and internal redecoration is involved which C&E is able to do itself within its delegation. Department X could with advantage take over the vacated floor to relieve overcrowding. This would enable PSA to accept the vacant space (which is less than 350m²) back from C&E and C&E to reduce its PRS bill, thus helping to

• offset its works costs in part. The unit cost would also be lower if the office as whole was redecorated under the one contract. However department x cannot get its own staff in to the vacated floor without some repartitioning which will take it well beyond its £1,000 delegation, nor can it contemplate either the overall redecoration of its entire occupation or even fund the redecoration of the one floor it hopes to take over. PSA has no funds available to assist department x. C&E are therefore effectively blocked.

Comment

This is a problem of funding, but it is also a problem of scope. A department which chooses the traditional option will by definition be less equipped to participate in joint initiatives than one which takes the standard option, and PSA will risk being in the invidious position of hindering the intent of the wider delegation given under the standard option because its own limited residual funds will have to be reserved for priority works. It will not have the access to additional funds which a standard option department will have by viring from within its overall running costs.

General Comments

These scenarios are imaginary, but experience of the friction within the existing system suggests that they are by no means unrealistic. Whilst joint planning and liaison should certainly help to improve relationships at local level between PSA and each individual client it is nevertheless a fact of life that departments tend to be very much guided by their financial interests and their own internal policies - PSA is no exception - and therefore it would be unrealistic to assume that all these problems will simply be waved away. Similarly although there are supposed to be committees in JOBs in which all occupying departments are represented it should not be assumed that this mechanism - which is basically a low-level consultative forum - will readily cope with potential inter-departmental disputes, particularly when funding is at issue.

EB

EXPENDITURE (1)

ANNEX 10

DEPARTMENT	PART II/III WORKS COSTING £K-£5K	PART III INTERNAL DECORATIONS	PART II REPAYMENT SERVICES COSTING £5K-£150K (OFFICE & STORAGE ONLY)	ADMINISTRATION	TOTAL
(1)	£ (2)	£ (3)	£ (4)	£ (5)	£ (6)
MAFF	561,747	261,639	513,999	315,011	1,652,396
CAB OFF	12,317	9,277	19,383	9,824	50,801
C O I	20,806	13,491	31,273	15,735	81,305
CHAR COM	5,963	3,712	8,623	4,389	22,687
C & EX	413,119	218,523	532,557	278,668	1,442,867
MOD	661,406	498,393	902,691	473,648	2,536,138
ED & SC	51,630	33,315	69,847	36,901	191,693
EMP	573,245	281,274	733,061	380,775	1,968,355
ENERGY	34,456	25,139	50,186	26,183	135,964
DOE	194,558	135,054	187,348	119,268	636,228
ECGD	33,455	19,390	46,814	23,925	123,592
FCO	144,454	113,556	152,961	85,095	496,066

EXPENDITURE (2)

DEPARTMENT	PART II/III WORKS COSTING £1K-£5K	PART III INTERNAL DECORATIONS	PART II REPAYMENT SERVICES COSTING £5K - £150K (OFFICE & STORAGE ONLY)	ADMINISTRATION	TOTAL
(1)	£ (2)	£ (3)	£ (4)	£ (5)	£ (6)
REG F SOC	3,005	2,260	4,801	2,416	12,482
GOV ACT	2,211	1,663	3,533	1,777	9,184
DHSS	1,510,391	769,924	1,856,552	987,078	5,123,945
HO	412,854	245,292	370,411	238,867	1,267,424
I REV	1,403,461	691,882	1,809,409	937,119	4,841,871
IBAP	20,940	7,149	20,621	11,691	60,401
LCD	406,924	337,288	203,386	206,262	1,153,860
MPO	48,263	35,436	48,391	30,532	162,622
NILO	1,398	1,051	2,233	1,123	5,805
DNS	74,419	33,194	92,282	47,965	247,880
MEDO	4,339	3,264	6,932	3,488	18,023
OAL	1,349	1,015	2,155	1,064	5,603

EB

EXPENDITURE (3)

DEPARTMENT	PART II/III WORKS COSTING £1K-£5K	PART III INTERNAL DECORATIONS	PART II REPAYMENT SERVICES COSTING £5K-£150K (OFFICE & STORAGE ONLY)	ADMINISTRATION	TOTAL
(1)	£ (2)	£ (3)	£ (4)	£ (5)	£ (6)
OFT	7,782	5,854	12,433	6,258	32,327
ODA	36,598	27,317	36,593	23,259	123,767
OOT	2,350	1,768	3,755	1,889	9,762
OPC AD	2,205	1,606	3,462	1,745	9,018
PGO	13,401	5,796	16,404	8,546	44,147
OPCS	48,643	24,779	62,757	32,690	168,869
PCO	1,485	1,117	2,373	1,194	6,169
PSA	343,233	204,113	405,000	225,475	1,177,821
PRO	55,987	51,441	27,234	29,175	163,837
PSA CONF	6,260	6,010	5,270	3,952	21,492
DTI	392,237	287,660	403,929	251,083	1,334,909
DTP	407,931	248,685	326,267	225,026	1,207,909

EXPENDITURE (4)

DEPARTMENT	PART II/III WORKS COSTING £1K-£5K £ (2)	PART III INTERNAL DECORATIONS £ (3)	PART II REPAYMENT SERVICES COSTING £5K-£150K (OFFICE & STORAGE ONLY) £ (4)	ADMINISTRATION £ (5)	TOTAL £ (6)
TRSY	57,028	42,262	80,987	42,888	223,165
T SOL	18,077	13,831	27,437	14,173	73,518
WEL OFF	70,124	33,066	76,310	42,562	222,062
N I O	10,832	8,679	4,885	5,290	29,686
NI CT	55	23	67	33	178
SCOT OFF	195,506	92,317	191,699	112,948	592,470
CR OF SCOT	19,871	10,512	19,337	11,631	61,351
D REG SCOT	11,113	4,807	13,604	7,087	36,611
G REG SCOT	6,944	2,876	8,165	4,316	22,301
SC CT AD	57,071	44,522	7,273	22,416	131,282
PSA VACANT	576,966	338,770	595,310	354,289	1,865,335
TOTAL	8,938,409	5,200,000	10,000,000	5,666,769	29,805,178