

- 1. MR. WICKS
- 2. PRIME MINISTER

*This is a useful reform to increase  
 accountability in an area notorious for  
 lack of it. AB (x) over.  
 N.L.W.  
 B.S.*

REPORT OF THE INTERDEPARTMENTAL COMMITTEE ON PROPERTY  
REPAYMENT SERVICES

You recently endorsed the main Report of the Committee on PRS, to give departments an increased responsibility for their own works. Most departments will now take on direct responsibility for works up to £5,000 (under the "standard option").

The Committee has now produced a second Report on the outstanding issue of funding major new works (over £150,000). Sir Robert Armstrong's covering minute is at Flag A. A summary of the Report at Flag B, and the Report itself (which you do not need to read) at Flag C.

The gist of the Report is that departments should have a more direct responsibility for funding on major projects and that this should be achieved by attribution for now (ie requiring clients to find PES cover in their programmes, while PSA incurs the expenditure on its vote) with the possibility of a move to a repayment system in the future. But PSA would retain responsibility for some projects, in particular those cutting across departmental boundaries.

The Committee was, however, unable to reach agreement on a way of changing the present method of charging for maintenance, so as to give departments more direct responsibility for it. The Committee will consider this further, and report again in November. I understand from Sir Robert's office that the Committee is likely, in the end, to agree on a new system which would give departments more responsibility, though the practical details are proving difficult to sort out.

Agree

i) to endorse the Committee's recommendations on the funding of major new works and that they should be implemented forthwith? *(They have the Chief Secretary's full support - Flag D)* Yes *not*

ii) to note that the Committee has been unable to reach agreement on maintenance, but will be reporting again in November? *not*

You will also wish to note departments' continuing concern that the PSA programme is under-funded, and that there are, therefore, likely to be additional bids for 1987/88.

*Mark Addison*

MARK ADDISON

6 May 1986

BM2ALS




cc: B.S.  
A

Ref. A086/1328

PRIME MINISTER

With my minute of <sup>12</sup> 10 March I put forward the main report of the Interdepartmental Committee on Property Repayment Services, which you endorsed. The Committee has now produced a second report which deals mainly with the outstanding issue of the funding of major new works. A copy of the report, which has been considered by Permanent Secretaries, is attached.

2. The issue is whether changes are needed in the present system whereby major new works (over £150,000) are funded by the Property Services Agency (PSA) from its Office and General programme. The Committee has recommended PES attribution to Departments for the works needed to support their operational programmes, whilst PSA retains PES responsibility for works in progress, for common projects such as the International Conference Centre, for estate rationalisation, for the provision of new offices for multiple occupation and works within them, and for certain types of structural work also excluded under the Committee's earlier proposals for the standard option. The details are set out in recommendation 2 in the opening summary of the report. Despite the feeling of Departments that the level of funding of major new works is inadequate, there is general agreement that within the overall constraints on public expenditure, individual Departments are better placed to judge their operational priorities than PSA. The Committee has also recommended PES attribution to Departments for PSA's resource costs (Departmental expenses and consultants' fees) on the works projects which they and not PSA would fund in future, and in respect of specialised projects, where there is already PES attribution to Departments for the works expenditure.



3. The Committee was not able to resolve the difficult issue of whether or not to change the present method of charging for those elements of maintenance and minor new works which will be retained by PSA under the standard option, but further study of the options has been commissioned.

4. Permanent Secretaries are agreed that the changes recommended in paragraph 2 (1) to (7) of the report - which are the changes required to give effect to the recommendation described in paragraph 2 of this minute - should be made, and (on balance) that they should be made in time for this year's PES exercise. There remains a general and justified apprehension that the PSA programme in this area is underfunded and that the PES transfers to Departments entailed by the change will be inadequate for Department's needs. There are therefore likely to be additional bids for 1987-88, to make good the inadequacies. The Treasury will consider such bids on their merits, against the background of the general presumption against any additional bids.

5. Preliminary discussions are already taking place between PSA and Departments to establish the provision Departments will need to find to fund works projects in the coming PES round. Decision will however be needed early in May if we are to take this change in funding on board and still keep to the timetable for the survey. I therefore hope that you will endorse the report so that it can be implemented forthwith.



7. I am sending copies of this minute and the report to all members of Cabinet. Copies of the minute go to all Permanent Secretaries and Permanent Heads of small Departments, who already have copies of the report.

RA

ROBERT ARMSTRONG

1 May 1986

CONQUEROR

B

MAJOR NEW WORKS AND CHARGING FOR MAINTENANCE: REPORT BY THE INTERDEPARTMENTAL COMMITTEE ON PRS

Introduction

In our main report on PRS, which Permanent Secretaries considered on 5 February we indicated that further work was in hand on the funding of major new works and on charging for maintenance. We were instructed to report further on these two issues by end March so that any decisions made could be taken into account in the PES round. Section 1 of this report deals with major new works; section 2 with charging for maintenance. Our conclusions and recommendations are summarised below.

SUMMARY OF THE REPORT

FUNDING OF MAJOR NEW WORKS

1. We have noted the degree of underfunding of PSA's existing baseline (1.2) and are agreed on the need for closer co-operation between PSA and client departments in determining requirements and if appropriate mounting the case for additional bids to Treasury in the course of the survey. Overall constraints on public expenditure must be observed; the Treasury members of the Committee have made it clear that there will be a presumption against additional bids.

2. Most of the Committee consider however that closer involvement will not be sufficient of itself. At present PSA has to take a view on the priorities of rival building projects whose operational priority is essentially for the sponsoring department, and not PSA, to judge. However close the co-operation may be there is no adequate substitute for departments choosing their own priorities and facing up to the PES consequences of their decisions. We have therefore looked at the options of PES attribution and repayment. PES attribution already applies to specialised accommodation. PSA advise on the estimated costs of major new works for which clients are required to find the PES cover in their programmes and PSA then incurs the expenditure on its Vote. Repayment means PSA recouping from departments its actual project expenditure in any one year. These two options are analysed in detail in section 1.3 of the report. Our recommendations are set out below:

(1) Whilst not ruling out the possibility of a move to repayment at some future date, PES attribution should be introduced for Office and General (subject to our proposals on the division of responsibility between PSA and client departments) and retained for specialised accommodation, and PSA resource costs should be attributed accordingly.

(2) Funding responsibilities for major new works (Office and General) should be as follows:

Departments

New construction or acquisitions for sole occupation (including the cost of purchasing a freehold).

Work in existing buildings which does not fall into the excluded categories (set out in Annex 5 of our earlier report) and which, in the case of multi-occupied buildings, does not affect other occupants.

## PSA

### Estate rationalisation.

Schemes undertaken for special reasons, eg to meet government requirements (Conference Centres) or to ensure suitable development of a key site (Richmond Yard).

### New construction or acquisitions for multi-occupation.

Work in existing buildings which falls into the excluded categories or which, in the case of multi-occupied buildings, affects more than one occupant.

In practice these general ground rules will need to be applied with some degree of flexibility at the margin. In particular a department which wishes to fund works which would be PSA's responsibility under these proposals should be able to do so, and existing funding arrangements for particular programmes eg UBOs should continue. These ground rules should be reviewed again before the 1987 round, and further study will be needed of the PES treatment of charges in occupation.

(3) PSA should set out the rules under which the PES attribution system will operate, particularly as regards the assessment of contributions, the management of expenditure during the financial year and the way in which the Treasury's end-year flexibility scheme for underspends on capital programmes applies to the pool.

In 1.8.1 we consider the application of our proposals to smaller departments. A uniform system of PES attribution would be simplest to operate, and since it already applies to specialised we see no strong reasons for recommending any exemptions, but before decisions are made we feel that the smaller departments should give their views in response to this report.

(4) In respect of the Office and General (OGA) programme, PSA should continue to fund projects for which firm construction contracts have been let by 1 April 1987, and the associated resource costs.

(5) The residue of PSA's provision for OGA (none in 1987/88, £4.3m in 1988/89 and £15.3m in 1989/90) should be surrendered as an offset for additional bids, leaving each department, including PSA, to make the best case it can for funds in the coming round.

(6) PES transfers of the resource costs of specialised programmes should be apportioned pro rata to future works expenditure, as illustrated in Annex B, and PSA's residual funds for the resource costs of the OGA programme should be surrendered along with the provision for works expenditure to offset departments' bids.

(7) If the move to PES attribution is to be implemented in the coming PES round, the decision should be taken by the end of April, as considerable work will be required to enable departments to take account of their additional responsibilities. PSA will in the meantime provide departments with details of the schemes they will be required to fund and the estimated resource costs, so that the Survey materials can be prepared.

## CHARGING FOR MAINTENANCE

3. The present system of charging is that PSA recovers from client departments its estimated expenditure on maintenance and minor new works for which it retains functional responsibility. It does this by apportioning its total estimated expenditure to clients pro rata to the amount of space they occupy. We set out the arrangements for and against the present system in 2.2 of our report. In brief, the present system does not give departments an accurate cost signal which they could relate to particular occupations. Indeed the aggregate charge for all their occupations will seldom coincide with PSA's actual expenditure. On the other hand the present system has the merit of simplicity and the charge does not fluctuate once set other than to reflect changes in occupation.

4. We have looked at a number of alternative approaches:

(i) "Banding" charges by age or type of building (see 2.3.1) would be a more sophisticated method of averaging than the present system, but could only be introduced by reverting to manual calculation of the accommodation charge and would still not present departments with the actual expenditure incurred. In particular no allowance would be made for major items of expenditure (eg roof or boiler replacement).

(ii) Actual cost recovery systems (2.3.2 to 2.3.5) would involve PSA recovering the actual costs as incurred but there would be vote management problems for departments in coping with unforeseen fluctuations in expenditure unless mechanisms such as advance payment and reconciliation in subsequent financial years was introduced. Job by job and property by property repayment would give the best cost signals but would mean an extra layer of complexity and additional administrative costs. Improvements would be needed in computer systems which will take a considerable time to implement.

(iii) A return to allied service would mean that PSA would no longer recharge client departments, and in consequence they would need to transfer PES back to PSA. Although there is some logic in not recharging for function responsibilities which under the standard options will remain with PSA we do not feel able to recommend such a retrograde step which would imply that client departments had no role to play in considering with PSA the operational fitness of their accommodation.

5. We have also considered whether any alternative method can be adopted for funding the increased delegations proposed under the standard option, other than the method we recommended, namely an abatement of the accommodation charge pro rata to space occupied (see 2.5). We have concluded that any alternative would require the agreement of all departments on special categories of need and, since the total amount of expenditure is fixed, could only be implemented in favour of one departments by withdrawing resources from another. We can see no prospect of such agreement being reached, and no possibility of implementing any other method by 1 April 1987 since the financial effects would need to be known now so as to be taken into account in PES.

6. We have been unable to reach agreement on a change to the present system of charging, and doubt in any event whether there is sufficient time now to work up a new system for implementation in 1987/88. Of the alternatives we have considered, actual cost recovery is the most promising option and we feel that further work should be done on the mechanics of such a system. On the timing of any change, some of us consider that it would be prudent to postpone this until the next major review of PRS in 1988 - which would imply no change before 1989/90 at the earliest. Others feel strongly that the present system should be replaced as soon as practicable.



7. In order that further consideration can be given to these unresolved issues, we recommend that:

(7) The various options (and in particular those involving actual cost recovery) should be worked up in detail by November 1986.

(8) Further consideration should be given then to the options for changing the present charging system, and to whether it would be desirable to implement any changes, either in 1988/89, or at a later date which would enable full account to be taken of the further review of PRS in the latter part of 1988.

8. We were also asked to look again at our estimate of 77 posts to be lost by PSA on the assumption that the standard option is adopted by all PRS clients (see section 2.7 and Annex D to this report). Having considered a range of alternative methodologies which all produce a lower estimate, though for the most part only marginally lower, we consider that the original estimate should stand.

## 1. FUNDING OF MAJOR NEW WORKS

### 1.1 Present Arrangements

1.1.1 At present major new works (projects over £150,000) that are classified as office and general fall to PSA's PES and Vote. Client departments in general have no responsibility for funding, although special arrangements have been made from time to time in respect of certain specific programmes such as the UBO programme and Inland Revenue's rationalisation programme for tax offices. By contrast, on specialised accommodation (including programmes like Prisons and Special Hospitals where the accommodation is held by the client department and not by PSA) departments provide the PES for major new works, and the actual expenditure is met on the PSA's Vote.

1.1.2 PSA meets the resource costs (departmental expenses and consultants fees) associated with the design and handling of major new works on both the office and general and the specialised programmes. With a few minor exceptions, client departments are not required to provide the PES to support these costs.

### 1.2 The Issues

1.2.1 Section 8.7 of the main report set out the considerations which argued in favour of a greater degree of involvement by client departments. In particular we noted the concern that departments who had secured PES for agreed operational priorities could find their programmes jeopardised by lack of PSA funds for the accommodation needed, when those departments had not taken part in the discussions with Treasury on funding the necessary works.

1.2.2 We also noted (in section 8.7.5) the relevance of PSA's responsibilities as central manager of the estate and the practical considerations of programme management which argued in favour of retaining some degree of central pooling of funds to even out the peaks and troughs characteristic of major construction balancing overspending against underspending projects.

1.2.3 Other considerations have been the relevance of the principles underlying the FMI, the recent study by the Efficiency Unit on capital projects, the overall effect on departmental budgets and manpower and public expenditure generally of any change in the present arrangements, and the practicalities of introducing workable new arrangements in time for the coming PES round.

1.2.4 Those of us who represent client departments and PSA itself feel strongly that whether or not changes are introduced in the present funding arrangements, the overall level of provision for major new works is clearly inadequate to meet known operational requirements (see 1.3 below and Annex A), and that this issue will, through whatever process is agreed in the light of our report, need to be addressed very fully in the coming PES round.

1.2.5 Under the present funding arrangements the requirements of one department for accommodation projects will compete with the requirements of others. PSA may therefore have to make the invidious decision of whether to allocate funds to a project needed say for DHSS or to one needed for Inland Revenue. Yet the consequences of proceeding or not proceeding with a particular project impact on the client department. It can be argued that the present system denies funding decisions to departments and provides no incentive for them to weigh up the competing claims of their projects.

### 1.3 The OGA programme: level of funding

1.3.1 The provision for PSA's Office and General Accommodation (OGA) programme for major new works in 1985/86 is £76m. At Annex A is a breakdown of the provision showing how it has been allocated to the main components of the programme. (The allocations total £72m - the difference between the two figures is due to rounding and the omission of certain items.) The largest allocations are for the Conference Centre and Richmond Yard and for computer buildings. Expenditure on the two London schemes will begin to drop from 1986/87 but computer buildings are likely to continue to require substantial provision.

1.3.2 PSA's estimates provision for 1986/87 includes a provision of £53m for Part I work following a recent reallocation of money from DOE's Heritage provision. The baseline for later years shows a further run down as follows:

<u>1987-88</u>	<u>1988-89</u>
£22.4m	£16.5m

1.3.3 There are several reasons for this drop. Expenditure in 1985/86 includes £29.6m for 3 major projects for which the Treasury agreed special funding but which have now passed their peak rates of spend and will not account for much expenditure by 1988/89. 1985/86 also includes a special allowance of £10m agreed by the Treasury in the 1984 Survey to cover estate rationalisation work and computer schemes, which was counterbalanced by reduction of £5m a year in 1987/88 and later years. Special funding by other departments of programmes like those to relieve overcrowding in UBOs and to reorganise local tax offices has also been included in the figures for 1985/86 and 1986/87 but not in later years as the funding is dealt with by annual PES transfers. Finally, within the PSA baseline total agreed by the Treasury in the 1985 Survey PSA had to make room for a growth in rent payments on the leased estate which, due to the expiry of old leases at low rents, takes place at two or three times the PES allowance for the annual roll forward of provisions. It is estimated that unavoidable expenditure on rents will exceed the previous PES baseline by £16m in 1986/87, by £30m in 1987/88 and by £35m in 1988/89. This is partly offset for the moment by an increase in receipts from disposals (which cannot however continue at their present level of over £20m a year indefinitely) but the overall result has been to squeeze the major new works provision (and also the associated provision for resource costs, including that which though presently included in the PSA baseline relates to specialised building projects whose works costs are attributed to the relevant departmental programmes).

1.3.4 PSA's additional bids for the 1985 Survey included £20m for works services as a whole (excluding the Conference Centre and the Palace of Westminster). The £3.7m which was made available for 1986/87 has been devoted entirely to major new works. This not only leaves maintenance substantially underfunded but falls well short of compensating for the squeeze imposed by the growth in rent payments.

1.3.5 PSA is at present engaged on forecasting the requirements for new works expenditure to 1989/90 in preparation for the 1986 Survey round. Early signs are that the expenditure in 1987/88 on projects where a contract has already been let or which are included in the planned 1986/87 starts will exceed the 1987/88 baseline provision of £22.4m by about £6m, and such works would also account for some expenditure in later years. The existing baseline would not therefore permit any new programme of works to be undertaken before about the spring or summer of 1988.

1.3.6 One of the main characteristics of the Part I OGA programme is its volatility. The timing and the cost of schemes can be affected by factors both within and outside the control of PSA and client departments. Consequently, forecasting at the level of individual schemes is bound to be subject to some degree of error. It is only at the programme level that these changes begin to balance out. PSA has generally applied to programme forecasts of expenditure a slippage allowance of 10% for work in progress and 25% for new starts. Another aspect of the programme's volatility is the tendency for departments' priorities and requirements to vary over the period from the start of a PES survey to the end of the first financial year of the PES period. It is quite common for new and immediately urgent requirements to crop up after both PES and Estimates have been settled and even after the start of the financial year.

#### 1.4 Options for change

##### 1.4.1 (A) Closer involvement by departments in PSA's PES and Estimates

We are agreed that closer involvement by departments is essential in any event. In that sense this is not an option. The option would be to go no further than is proposed here, and therefore leave funding responsibility for OGA major new works with PSA.

1.4.2 Closer involvement would be secured by PSA formally agreeing with client departments individually the schemes to be included in the proposed OGA programme and on which PSA's bids for funds would be based. The case for each proposed new scheme would be agreed with the department concerned and put to the Treasury in support of PSA's PES submission. This would ensure that departments were directly involved in demonstrating to Treasury the relevance of major new works proposals to their operational needs. Departments would know what requirements they might expect to be met, other things being equal, if PSA's bids were accepted and equally what would be at risk if they were not.

1.4.3 For its part PSA will need to identify very carefully what schemes it could not expect to fund within its existing baseline, and to enter negotiations directly with the departments concerned with the aim of establishing an agreed case for an additional bid. This will need to be completed in good time for bids to be entered by Ministers in May as indicated by the Treasury timetable for the coming survey and PSA is already urgently engaged in drawing up the necessary list of schemes. For their part departments must accept the discipline of ensuring that all new requirements which will require expenditure in the survey period are notified to PSA as soon as possible so that properly supported bids can be entered within this timescale. They must also let PSA know promptly of any change in requirements bearing in mind that there will be no scope for taking on board in estimates any significant additional expenditure commitments after PES has been settled unless there are offsetting reductions.

1.4.4 We have also considered whether there should be some kind of multilateral forum at which the proposed programme could be considered. As noted in 1.3.6 above the programme is volatile and far from immutable partly because of changes in departmental requirements and partly because of the vicissitudes of major construction expenditure, in particular the difficulty of making reliable initial forecasts before a project has been designed in detail. Some flexibility would therefore have to be maintained and any forum in which the programme as a whole was considered would therefore need to temper its judgements accordingly. Secondly, it is difficult to see how

members of such a forum could usefully contribute to the consideration of projects in which other departments were concerned or judge competing operational requirements. Moreover there is no ready mechanism which could be devised for linking such a multilateral approach into the series of bilaterals with Treasury by which in practice bids are examined and decisions on expenditure priorities made.

1.3.5 We would therefore recommend against setting up a multi-lateral forum as a standing feature of the survey process. If however circumstances did occur exceptionally where Ministers collectively judged it appropriate for officials to examine the programme on an inter-departmental basis the IDC itself, suitably augmented to include any other departments such as Home Office with a major interest, might provide an appropriate vehicle.

#### 1.4.6 (B) PES attribution

We are agreed that the improved procedures set out in 1.4.2 and 1.4.3 above are needed in any event. Some of us can see difficulties in going no further than that, having in mind the problems that PES funding by departments might cause PSA in its central management role by encouraging departments to consider that they had a proprietary interest in the accommodation thus provided, and also taking into account the volatility of the programme, which might result in pressures on departments' PES that could not easily be anticipated or coped with, and particularly not by smaller departments with a very infrequent call for major works expenditure.

1.4.7 On the other hand, whilst recognising these difficulties, which will need careful attention as indicated later in this report, the Committee as a whole has a clear preference for a change in funding responsibilities to enable departmental Ministers to argue with Treasury the case for all expenditure aspects of their operational priorities, including accommodation.

1.4.8 PES attribution already applies to specialised accommodation, provision for which in 1985/86 was £130m. PSA advises on the estimated costs of major new works for which client departments are required to find the PES cover in their programmes and PSA then incurs the expenditure on its Vote. We have had the benefit of additional contributions to our discussions from representatives from the Home Office, Lord Chancellor's Department and DHSS who have direct experience of running such a system in respect of Prisons, Courts and Special Hospitals respectively. They have pointed out the merits of this method of funding in terms of collocating PES responsibility for accommodation with main programme expenditure without imposing on client departments the additional strain of coping with in-year fluctuations in project expenditure, but maximising the benefits of a common pool of funding for major projects.

1.4.9 We have considered whether PES attribution would increase the pressure on the public expenditure planning total. On the one hand major new works would be the subject of separate bids from individual departments and this in itself might increase the pressure. Moreover at present the necessary allowance can be made in PES for slippage (up to 25% per annum) within the one PSA programme, and this could not so readily be done when that pool of funding is split up between several departmental programmes. On the other hand the overall presumption against additions to public expenditure programmes would be maintained by Treasury, and under the new arrangements it could be easier for increases in major works expenditure to be offset against savings in departments other programme expenditure. The actual amounts spent on projects should not be any greater under PES attribution, but if there is

likely to be a problem of over provision there may well need to be a presumption that exceptional additions to departments' programmes for major capital projects were not used for other purposes if in the event they were not needed in that year because of slippage.

#### 1.4.10 (C) Repayment

This option, whereby PSA would recoup from departments its actual project expenditure in any one year it occurred would give client departments a greater degree of financial responsibility than PES attribution since the actual expenditure, no more and no less, would come directly from their own Votes. Under PES attribution a department may have overprovided for a project which slips or underspends and the PES is lost to it (conversely it can of course "gain" if the project overspends and can be funded from the pool). It can be argued that repayment provides for better financial management by giving client departments a direct incentive to monitor closely the expenditure by PSA on their projects and perhaps might help to reduce slippage.

1.4.11 On the other hand there are drawbacks to a repayment system. It is not self-evident that other financial pressures on a department's vote would necessarily lead it always to wish to exert pressure on PSA to reduce slippage. In a tight year slippage might positively be welcomed. Moreover slippage is not infrequently due to factors which are quite beyond the control either of PSA or the client department. The converse situation where projects overspend might be altogether less welcome; fluctuations either way would be difficult to predict and would exacerbate the task of Vote management. The extension of carry forward under the end-year flexibility scheme to 3% of eligible expenditure or £2 million, whichever is the greater, would help with the slippage problem, but that would not deal with a situation where work proceeded more quickly than expected. Much would also depend on the degree of virement that Treasury was prepared to allow. There would be a clear risk of the aggregate provision in Departments' estimates exceeding the level of provisions that PSA could have made under the existing arrangements. To the extent that any other provision had been covered by offsetting savings there would be no increase in public expenditure. But if additions had been allowed and Departments were free to reallocate any over-provision to other parts of their votes, there would be an increase. In these circumstances the Treasury would be likely to examine very critically proposals from Departments for virement due to underspend on major new works, albeit allowing each case to be considered on its merits.

1.4.12 There might also be a real risk of a wasteful duplication of effort if departments took the view that their Vote responsibilities went beyond close liaison with PSA and regular flows of management information of project expenditure to developing a capacity to second guess PSA on its design and control of the project. That would not only have significant manpower implications but would risk blurring the lines of responsibility for the control of the project. PSA has the direct legal responsibility for paying the contractors the bills it has incurred and under any repayment system has no option but to recharge all its actual expenditure as incurred whatever its clients wishes may be in the matter. Whilst defaulting designers or contractors can be pursued in the Courts the sums recovered often fall short of the full cost of remedial action. PSA has no reserve funds and would have to look to the client to pay. Some claims are not settled for some years after a project is completed and the cost has to be charged to the client who has to retain the liability to pay longer after the building has been brought into use. Indeed it can be argued that PES attribution is in this case closer

to the principles of the FMI because the Vote responsibilities thus lie with PSA and in reality it is only PSA that can properly control and be accountable for the expenditure on the project.

1.4.13 Most of us consider that either an attribution or a repayment basis would be in line with the broad thrust of the recommendations in Sir Robin Ibbs' memorandum of advice on Capital Expenditure Contracts. Under an attribution system the department which holds the PES provision does effectively "own" the project, since it must provide the funds for it. This gives it a direct interest in seeing that its projects are fully (and economically) specified and proceed as far as possible within the planned expenditure totals and profiles and to the agreed timetables. The "owning" department under an attribution system is required to carry out the appraisal of the need and justification for the requirement leaving PSA to appraise alternative ways of meeting it. Where there are alternatives and decisions need to be taken which will affect costs and timetables the owning department is consulted over the effect on their PES funding and their responsibility for appraising and justifying their schemes, and with all major programmes of work there is a network of permanent liaison arrangements to ensure that PSA and the department proceed in conjunction. This includes close contact between the PSA's project managers who are responsible for the design and supervision of the construction work and the staff in departments who are responsible for preparing briefs, taking decisions on requirements costs and timetable and where necessary co-ordinating the PSA work and delivery of equipment and changes in departmental operations. Such staff fulfil the role of project managers for that part of the function which falls to department not to PSA. In appropriate cases there can be joint PSA/Departmental Planning or Project Teams.

1.4.14 We also consider that whether under PES attribution or repayment PSA's resource costs should in future be recovered from the sponsoring department. In addition to PSA's own overheaded departmental expenses these cover the cost of consultants fees and can be a significant element of expenditure on major projects. PSA should be prepared to provide reasonable substantiation for the estimates it puts forward to clients.

#### 1.5 Recommended method of funding

1.5.1 We have noted that those departments with a major programme of Part I works on specialised accommodation and with extensive experience of PES attribution have expressed the strongest preferences for retaining that system, and would resist any move to repayment. Whilst some of use could see attractions in moving to repayment for office and general accommodation, it would be difficult to see the logic or justification of thus moving in one step straight from PSA funding to repayment particularly when the major specialised clients are content to stay with PES attribution.

1.5.2 Whilst not ruling out the possibility of a move to repayment at some future date, we recommend (recommendation 1) that PES attribution should be introduced for office and general (subject to one proposals below on the division of responsibility between PSA and client departments) and retained for specialised accommodation, and that PSA resource costs should be attributed accordingly.

#### 1.6 Division of responsibilities under PES attribution

1.6.1 Certain work will remain PSA's responsibility. PSA will thus continue to sponsor estate rationalisation works and schemes, such as the Conference

Centre and Richmond Yard, which are undertaken for wider reasons. It follows that PSA itself should hold the PES for these functions.

1.6.2 For the rest it might be argued that all operational requirements should be funded by departments, but we foresee major practical difficulties in applying such an approach without exception. The most straightforward case is new building or acquisition for a sole occupation by one department, and there PES attribution should clearly apply. Similarly where major new works in existing multi-occupied buildings do not affect other occupants or raise significant property management issues the sponsoring department should provide the PES.

1.6.3 There would be greater problems however if other clients are involved. A new building or acquisition may well be for more than one client, justified on that basis by investment appraisal, but frustrated by the reluctance or inability of one or other party to provide the PES. PSA could not compel the parties to agree and there is a prospect of long drawn-out wrangles over funding, shares, specification and timing, themselves costly of scarce resources, and a strong risk of lost investment opportunities. Much the same problems could arise with major new works within existing multi-occupied offices where the question of who derives the most benefit could bedevil negotiations on funding and worthwhile improvements could easily be delayed or frustrated entirely. One approach might be to say that the major occupier should provide all the funding required but that would be perceived as manifestly inequitable where that department was only marginally the major occupier, where other departments were getting greater benefits from the work or where moves of staff in the foreseeable future were likely to make that department a minor occupier. If however PSA retained the funding responsibility in such cases these problems would not arise and that therefore seems to us to be the most workable approach.

1.6.4 There is also the question of functional responsibility for certain kinds of major new works within existing buildings. Under our proposals for minor new works in the standard option for PRS (Annex 5 of our main report) a division is made broadly between those internal works which are likely to arise directly out of client departments' operational requirements (eg partitioning, occupation and fitting out works and general refurbishment) and those which fall within PSA's role as the property manager concerned with the overall structure, serviceability and value of the building as property asset (eg lifts, roofing, alteration of external walls). The former category falls to clients to commission from PSA on a repayment basis. The latter is reserved to PSA who retain full financial responsibility. It would be both logical and consistent to maintain this distinction for major new works, since it can be argued that the criterion for determining financial responsibility should be the nature of the works.

1.6.5 Taking all these factors into account we recommend (recommendation 2) that funding responsibilities for major new works should be as follows:

Departments

New construction or acquisition for sole occupation (including the cost of purchasing a freehold).

Work in existing buildings which does not fall into the excluded categories and which, in the case of multi-occupied buildings, does not affect other occupants.



## PSA

Estate rationalisation. Schemes undertaken for special reasons, eg to meet government requirements (Conference Centre) or to ensure suitable development of a key site (Richmond Yard).

New construction or acquisitions for multi-occupation.

Work in existing buildings which falls into the excluded categories or which, in the case of multi-occupied buildings, affects more than one occupant.

1.6.6 The division of responsibilities needs to be straightforward, particularly if funding is to be transferred to departments in the current PES round. There will however need to be some flexibility at the margin in those proposed arrangements. For example the reservation of excluded works to PSA could give rise to distorted investment decisions in those cases where there was a choice between new building and major structural work to a property which would otherwise soon be unsuitable for further operational use. Although this would make the arrangements more complex, it would be appropriate to provide that, where investment appraisal had shown excluded major works to an existing sole occupation to be the optimal solution to meeting a specific operational requirement from a client, then the funding responsibility should properly be that of the client.

1.6.7 Equally if a department wished to fund works which would normally be PSA's responsibility and for which PSA did not have funds, agreement could be reached accordingly. It would also seem inappropriate to unscramble existing funding arrangements for particular programmes eg UBOs where the client is already responsible for the funding. However, it will in these cases now be necessary for the client to find the resource costs which hitherto PSA has carried. We consider that these should continue as at present. Given the overall objective of removing obstacles to the achievement of agreed operational priorities, a department which was prepared to fund work from which other client departments would derive benefit without seeking a PES contribution from them need not of course be prevented from doing so if the proposed scheme were otherwise acceptable.

## 1.7 Changes of occupation and disposals

1.7.1 When major new works have been funded by a department under the arrangements set out in 1.6 above the question then arises of what happens when there is a change in occupation or the property is reallocated or disposed of. In principle it can be argued that the value of the works covered by the PES funding should be repaid. This can and should be done in respect of specialised, including transfers between specialised and office & general. There are however formidable practical problems about transfer within the common user office estate. First, departmental requirements change overtime and particularly with the impetus of occupancy audits departments will want to maximise the release of any space which becomes surplus. Other departments then take up occupation as the space is reallocated. It is not uncommon to find an office originally built or acquired for one client to be in multi-occupation after a few years. Sometimes the original occupant will no longer be the major occupier, or may even eventually move out altogether. It is in the interests of all that surplus space should be reallocated as and when it is found and whole units thus released for disposal. Otherwise there would be little prospect of achieving the substantial savings envisaged in the Multi Department Review of Accommodation.

1.7.2 It is doubtful whether any system of refunding the original sponsoring department could be devised effectively to keep track of this sort of creeping transfer of occupation between one department and another which would not be disproportionately complex and expensive to administer. Moreover any system which interposed a transfer of funds between departments before space could be reallocated would soon "freeze" the estate in its present form with all the attendant diseconomies.

1.7.3 There are also problems with the apparently simpler proposition that transfers of whole properties should be accompanied by PES transfers. A department which foresaw a substantial receipt occurring on a transfer of its whole occupation and was uncertain about its future accommodation requirements might well decide to hang on to surplus space for a considerable period rather than permitting the property to become multi-occupied and foregoing a potential receipt. Moreover it is at least arguable whether in principle transfers between departments on a common user office estate should attract PES penalties or rewards. A department which successfully reduces its space gets the advantage of a lower accommodation charge and hence lower running costs. Any incoming department will still have to pay the opportunity cost for the space it occupies. Since reallocation will often be the most economic option rather than a new build it seems unreasonable to waive the transfer fee in such cases.

1.7.4 Real reductions in cost to the estate as a whole are measured by outright disposals to the private sector and it is here that the case is strongest for the client department to get the PES benefit of any receipt. However for the reasons given above changes in departmental occupation are likely over time to obfuscate the original source of funding and render any "compensation" to the department in occupation immediately prior to disposal singularly arbitrary in its incidence. Records would need to be kept in perpetuity if the original funding department or its functional successor in title were to be the recipient. One approach might be to adopt a strict time limit. Thus one might provide that where a department which had supplied the PES for a new build or acquisition of office and general accommodation released the whole property for disposal within 3 years of the year in which the final tranche of PES was provided then the receipt would accrue to its PES. Even so it is arguable that departments who have incurred substantial investment by government should not be "rewarded" by a PES receipt for such a major change in requirements in such a comparatively short time. Yet to introduce a merit system by which a judgment had to be made on how readily the move could have been foreseen would scarcely be easy or uncontentious. There is no immediate need to take a decision on this, and it should be given further study.

## 1.8 Managing the programme

1.8.1 Whilst the pooling of provisions for expenditure on major new works offers advantages for the flexible management of building programmes this involves PSA setting underspends on some departments' programmes against overspends on others. In order to ensure that this process is as equitable as possible as between contributors to the pool we recommend (recommendation 3) that PSA set out in writing the rules under which the PES attribution system will operate, particularly as regards the assessment of contributions, the management of expenditure during the financial year and the way in which the Treasury's end-year flexibility scheme for underspends on capital programmes applies to the pool.

## 1.9 Application to smaller departments

1.9.1 Our recommended option - PES attribution - should have no significant manpower implications for departments over and above the existing level of liaison with PSA which is required for any major project. Moreover smaller departments are already required to put up the funding for major new works which are categorised as specialised and it does not therefore seem unreasonable that they should be asked to do the same in future for office and general. Nevertheless whilst any new expenditure places burdens on all departments, a new office might be within the margins of PES for a department of the size of DHSS would at the other extreme be a very major item for a smaller department of the size of the Paymaster General's Office, and one of such infrequency that no provision could reasonably be made for it. It is therefore for consideration whether an exemption should be allowed for those clients who elect for the traditional option, or alternatively whether sufficient flexibility can be built into PES to allow for bids for major works expenditure by such clients to be considered specifically, notwithstanding their size relative to the normal baseline. It should of course be noted that some such degree of flexibility will be needed even if PSA retains responsibility since PSA will have no hidden reserves of funding for such purposes.

1.9.2 A uniform system of PES attribution would be simplest to operate and since it already applies to specialised we see no strong reasons for recommending any exemptions, but before decisions are made we feel that the smaller departments should give their views in response to this report.

## 1.10 Basis and level of PES transfers

1.10.1 It would seem inappropriate and inequitable to expect departments to assume PES responsibility for projects which are already committed and we therefore recommend (recommendation 4) that PSA should continue to fund committed projects and the associated resource costs.

1.9.2 This will leave the following estimated provision for works expenditure for new starts:

1987/88	1988/89	1989/90
*	£4.3m	£15.3m

\*For 1987/88 there is an estimated shortfall of £6.1m.

1.9.3 There is no very equitable method for distributing these residual amounts which will need not only to contribute to those new starts for which departments will in future be responsible but also PSA's expenditure on retained major new works, and if smaller departments are to be able to opt out, provision for meeting their needs also as they may arise. It might be possible to distribute on a pro rata basis depending on the size of each departments' occupation of the estate but that would produce some very odd results which would bear no relation at all to the likely incidence of expenditure, which is characteristically lumpy and mostly taken up by larger departments. Moreover this approach would give no basis on which PSA's share for its retained expenditure could be determined. An alternative would be to divide the funds according to the incidence of past expenditure. That, however, would give departments like Inland Revenue with the peak of their expenditure now behind them a disproportionate share. A distribution based on future demands for expenditure would be highly speculative, and each department would have a vested interest in inflating its demands. The most

equitable option, particularly since the funds are likely to be well short of demand in 1987/88 and 1988/89, would seem to be to surrender the residue as an offset for additional bids and to leave each department, including PSA, to make the best case it can to Treasury for the limited funds available in the coming PES round. We therefore recommend accordingly (recommendation 5).

1.10.4 It has not proved possible to identify a part of PSA's present baseline for administration costs as specifically set aside for designing and supervising major new works projects, as the provision has not previously been analysed in this way. Instead the Agency's resource costing system has been used to identify the total costs actually incurred on such work in 1984-85 and to relate them to the works expenditure on the same group of projects in that year. Excluding the projects to which attribution of resource costs already applies the resource costs in 1984-85 represented 21% of the corresponding works expenditure in that year. If this ratio applied throughout the Survey period the resource costs which would correspond to the present Survey baseline provisions for works expenditure would be as follows:

		£ million
1987-88	1988-89	1989-90
23.1	22.0	22.6

(Includes in-house costs on prisons; prison fees are already attributed)

Annex B shows how, using the same ratio, these totals might be apportioned between the Department programmes concerned.

1.10.5 A distribution of money between departments using the figures in Annex B would not be entirely satisfactory, since resource costs are not directly related to works expenditure in the same year (more than half the resource costs are usually incurred before construction starts) and within the average figure of 21% there could be considerable variations between projects (for examples on large projects resource costs as a percentage of works expenditure may be only half the level spent on small projects). It is however unlikely that a better method could be worked out and agreed in time for use in the 1986 Survey.

1.10.6 In this case a distribution seems appropriate, because the sums at stake are significant in all years and because the distribution in respect of the specialised programmes would match the existing arrangements for attribution of works expenditure. For the office programme the treatment of resource costs should match the arrangements for works expenditure proposed in para 1.10.3 above. We recommend therefore (recommendation 6) that PES transfers of the resource costs of specialised programmes should be apportioned as described in 1.10.4 and 1.10.5 above, and as illustrated in Annex B; and that PSA's residual funds for the resource costs of the OGA programme should be surrendered along with the provision for works expenditure to offset departments bids.

1.10.7 We recommend (recommendation 7) that if the move to PES attribution is to be implemented in the coming PES round the decision should be taken by the end of April, as considerable work will be required to enable departments to take account of their additional responsibilities. PSA will in the meantime provide departments with details of the schemes they will be required to fund and the estimated resource costs, so that the survey material can be prepared.

## 2. CHARGING FOR MAINTENANCE AND MINOR NEW WORKS

### 2.1 The present system; the "club subscription"

2.1.1 At present PSA charges departments on the basis of the area of accommodation they occupy in order to recover the costs of:

- all Part II (minor new works) and Part III (maintenance) works over £1,000 in office and storage accommodation;
- Part III works over £1,000 in specialised accommodation;
- works under £1,000 falling outside the PRS delegation to departments (including works of any type in DEL-serviced buildings).

After 1 April 1987, if Ministers endorse the Committee's recommendations on the standard option, the costs in question will be those of:

- all Part III works over £5,000, except internal decorations;
- excluded Part III works under £5,000 and Part II works over £5,000 excluded from the repayment arrangements;
- for properties occupied by departments electing to remain on the traditional option, all Part II and Part III works in office and storage accommodation costing between £1,000 and £5,000 and all Part III works between £1,000 and £5,000 in specialised accommodation.

2.1.2 It is estimated that in 1987/88 these costs will amount to approximately £78m; it is not yet known by how much this figure will be increased by departments electing to remain on the traditional option. This expenditure represents the functional responsibilities for maintenance and minor new works which we recommended in our main report should be retained by PSA in their role as the Government's property manager and are not therefore to be delegated to departments under the standard option. Treasury controls the total amount of expenditure over the estate as a whole. PSA does not simply fix the sum itself. The present charging system merely allocates the total expenditure to departments pro rata to the space they occupy on the estate and recovers it accordingly. The total recovered (which represents some 14% of PRS receipts) cannot exceed the provision PSA has agreed with Treasury.

### 2.2 Criticisms of the present system

2.2.1 There are two principal objections to the present "club subscription" system:

- i. it provides inadequate or distorted management information for client departments about the cost of their accommodation;
- ii. because charges bear no necessary relationships to expenditure on a property or even on departmental basis, departments are unable to make meaningful judgments about the value for money they get from PSA.

2.2.2 Some departments feel that they receive a poor deal from the club subscription arrangements, and are concerned that they are unable to exercise proper accountability over a significant proportion of their expenditure on accommodation. The provision of better information about actual expenditure by PSA may only make it more difficult for departments to continue to justify

retention of the present system, in which mismatches between charge and expenditure in any given year - and even over a period of years - are inevitable.

2.2.3 On the other hand the club subscription, which was deliberately designed by Rayner to be a simple and cheap to operate form of repayment, does enable PSA to recover its expenditure across the estate as a whole through a relatively straightforward mechanism which demands relatively little effort either in PSA or in client departments. It also has the effect of levelling out expenditure which is naturally uneven from year to year for individual properties, and providing for which in Estimates would be particularly difficult for departments with small areas of occupation. The point is illustrated by the tables at Annex C, which show that expenditure on, for example, COI's occupations was 46% greater in 1984/85 than in 1983/84, though the PRS charge showed a reduction of 6%; similarly, expenditure on OPCS increased by 259%, though the charge increased by less than 2%.

2.2.4 A further aspect of the present arrangements, that stands out clearly from the tables in the Annex, is that in both 1983/84 and 1984/85 departments have in aggregate benefitted from more expenditure than is recovered through the PRS charge. Moreover, although there are gainers and losers in each of the years shown, in both years more departments benefitted from the system than disbenefitted. There are a number of reasons for this, as indicated in the notes to the tables, but one factor is that PSA was able to divert potential underspending from elsewhere in its programmes to maintenance, where expenditure to absorb it can be initiated relatively quickly. However if our recommendations earlier in this report are accepted and PES attribution is adopted for major new works, there will be little scope in future for this form of internal virement.

## 2.3 Alternative system

### 2.3.1 (A) Banding

Under this approach, charges could be based on a graduated series of unit rates, reflecting expected levels of expenditure on different types of property. It is possible that banded unit rates of this kind might be derived from the work that has been done in PSA on maintenance unit costs, though the methodology to do so is as yet undeveloped. The advantage of such a system is that it would represent an undoubted advance in the usefulness of the Accommodation Charge as a signal of cost. The main objection to it would be its complexity of operation. A system of zoned and banded PRS rents, yielding 9 categories of property, has been applied in London Region under the regional average rent arrangements that are now being superseded by individual assessments, and has been a constant source of error and friction with clients. Extending banding for works charges would make the setting of the unit rates vastly more difficult (involving predicting changes in area of occupation for each category, in order to recover the correct total), and would require the manual calculation of all accommodation charges until a major re-design of the computerised system could be accomplished. All these factors would adversely affect the promptness and accuracy of the charge. Moreover such a system would only be a more sophisticated method of averaging out expenditure. It would not tell departments the actual costs being incurred on their occupations.

### 2.3.2 (b) Actual cost recovery

An alternative approach is to seek to recover actual costs incurred. Under the traditional repayment system this is done for maintenance in sole occupations and minor new works in all types of occupation by making each job a repayment service. (However, in jointly occupied buildings it has been found impracticable to charge on this basis, and maintenance costs are recovered by service charges on an individual building basis, the charge being fixed so as to recover PSA's costs shown in its expenditure records and apportioned amongst the occupants.) This system ensures that occupants only pay for work done for their benefit, and provides for the cost to be broken down between buildings as well as between occupants on an individual cost basis. It also provides in the billing for the amounts spent on individual (large) jobs to be separately listed, but this information is not of course available in respect of costs covered by the service charge.

2.3.3 In the traditional job by job repayment system the customers concerned commission the work from PSA. But under the standard option, the intention is that PSA should retain commissioning responsibility for work above the limits to be delegated to departments. It would still in theory be possible to use the normal repayment arrangement for charging occupants even though PSA, not the occupants, commissioned the works in question. But it is arguable whether occupants ought to be asked to pay bills for individual jobs which they had not themselves ordered and for which they would not necessarily have budget provision. In addition to this drawback such a recovery method has the additional disadvantage of being expensive to operate, both in PSA and in departments, and also means that there can be very big (and not always foreseeable) annual fluctuations in the costs of maintaining individual buildings when for example a roof or a boiler has to be completely replaced. On the other hand it might give departments better cost signals and enable them to set up a more comprehensive and accurate internal budgeting system in accordance with the FMI.

2.3.4 It would be possible, instead of job by job charges, to adopt a service charge approach, where costs are recovered in respect of individual buildings or, even simpler, where they are recovered in bulk by department. Such a system might be feasible, although the technicalities have not been explored, and the existing service charge system has given rise to considerable workload problems in PSA.

2.3.5 In order to allow actual costs to be recovered, such a system must either operate in arrears or contain a provision for retrospective adjustments. If adjustments were made two years in arrears rather than only one it would be possible to make each year's charges coincide with the estimate provision taken to pay them. They would, however, still be subject to fluctuations from year to year which might cause longer term budgeting problems, and would only belatedly provide an accurate reflection of the costs incurred on a departments occupations.

### 2.3.6 (C) Allied Service

At the opposite extreme is the possibility of a return to the provision of retained works on an allied service basis by PSA. The main objections to this arrangement are presentational in their nature. There must necessarily be doubts as to whether a return to allied service could be countenanced at a time when the thrust of public sector management developments is towards greater delegation of budgeting and greater accountability for costs. There are also, more substantively, questions of the desirability of reducing the

perceived cost to managers of the accommodation resource, when pressure is being exerted to reduce the size of the Government estate.

2.3.7 However, it can be argued that allied service provision would in this instance be more in keeping with the principles of the FMI. On the one hand departments would be funded to carry out works for which they are responsible and on which they are accountable for their expenditure and performance; on the other hand PSA would retain both financial and functional responsibility for the execution of those works which it has not been appropriate to delegate to departments. There would be no reduction in the availability of management information on minor works expenditure. Efforts would continue, notably through the medium of joint planning and liaison, to improve the flow of data about costs in use to occupying departments, without attempting to unite in one system the dual functions of management information and recovery of cost, and without confusing the lines of accountability for expenditure.

2.3.8 Some concern has been expressed that removing the works element from the Accommodation Charge would distort the cost signals. The club subscription provides absolutely no information about the costs of particular properties; as a cost signal it merely expresses the area occupied, and this function together with an indication of the age, condition and location of the property is also fulfilled by the individually assessed rent. Duplication of this indicator does not affect judgments of the relative desirability of different properties, and it must necessarily be disregarded for investment appraisal purposes. For such exercises expressions of actual costs in use are needed, and this information would continue to be available - indeed should in future be more widely available to managers than it is at present. It can also be argued that sufficient pressures would be exerted on departments to reduce areas of occupation by the rent and rates elements alone, particularly as PES cover for the present works charge would have to be returned to PSA. A significant point of friction between PSA and its clients would disappear if the recovery of these costs was abandoned.

2.3.9 On the other hand, the virtue of any charging system is that when departments have to pay they are more directly involved in the problems of maintaining the estate and in the issues of whether the funding is or is not adequate. It can also be argued that although the prime responsibility for retained maintenance and minor works must necessarily remain with PSA as we have previously recommended in our main report, departments nevertheless have an operational interest which a charging system would reflect, and a return to allied service would not.

#### 2.4 Timing Constraints

2.4.1 If any changes in the method of recovery are to be introduced in 1987/88 the consequential adjustments to PESC provisions would need to be made in April if they are to be incorporated in the 1986 Survey from the outset. There are only two methods of dealing with the adjustments which would fit into this timetable. One would be not to make any adjustments; this would leave departments to face whatever any new system produced by way of a different pattern of charges (within an unchanged total) with their existing PES provision based on areas occupied. The second, available only in respect of a switch to an actual cost recovery system would be to assume that the pattern of future charges would correspond to the pattern of recorded expenditure in the last available year (1984/85) and redistribute the existing departmental PES provisions pro rate to it.



2.4.2 No system of calculating future needs or adjustments based on age and type of building, assuming one could be agreed, is likely to be ready for use in time for the next PES round. The PES adjustments to implement a return to allied service provision could, however, probably be implemented quite quickly once the methodology had been agreed by departments.

## 2.5 Alternative methods of funding the standard option

2.5.1 We were asked to look again at the method of funding the increased delegations proposed under the standard option to take effect in 1986/87. The method recommended in section 11 of our main report was a pro rata abatement of the accommodation charge on the basis of space occupied. We have considered whether means could be devised of directing more resources to departments with particular needs. That would in theory be possible, although the criteria of need would have to be universally agreed and the complexities of operating such a system could be considerable. The major drawback however is that no system of meeting special needs could operate in any other way than by robbing Peter to pay Paul since the total amount available for distribution remains the same.

2.5.2 We are unable to see any basis on which criteria could be devised which would be acceptable to all departments and which would not favour some at the expense of others. Moreover we could see no prospect whatever of agreement on an alternative system being reached in time for any resulting adjustments to be taken into account in PES. We therefore conclude that, as previously recommended, the pro rata method of abating the accommodation charge should be followed.

## 2.6 Conclusions on the charging system

2.6.1 Some of us would be content to continue with the present system "the club subscription" in spite of its drawbacks because we remain unconvinced that the virtues of those alternative systems which are more geared to actual costs would outweigh the extra complexity they would import into a system which is already appreciably less straightforward than the original concept of PRS. There is also some concern over the implications for departments of coping with additional financial uncertainties, arising from the unpredictable nature and incidence of maintenance expenditure.

2.6.2 Although one department expressed the view that any alternative would be preferable to the present system, we do not as a Committee feel able at this stage to recommend a return to allied service for the reasons set out in 2.3.9 above.

2.6.3 A number of the Committee are attracted to alternative systems based on repayment of actual costs, because they consider that the benefits of being able to perceive in detail what expenditure PSA is incurring on departments behalf outweigh the complexities involved and the possible difficulties in terms of Vote management.

2.6.4 We are however agreed that in practice there is no alternative to continuing with the present system for 1987/88 since there is now insufficient time to take account of the financial effect of any alternative approach in the coming PES round. We have not in fact reached agreement on an alternative and even if agreement were to be reached there would be very little time to work up the details for implementation on 1 April 1987.

2.6.5 We are also agreed that there would be merit in doing further work in exploring the practicalities of the various repayment systems so that if it were decided to change the charging system in 1988/89 or subsequently the necessary groundwork would have been done. We therefore recommend (recommendation 8) that the various options (and in particular those involving actual cost recovery) should be worked up in detail by November 1986.

2.6.6 Careful consideration needs to be given to the timing of any change in the system. On the one hand, the present system has acknowledged inadequacies, and to delay changing it (perhaps until 1989/90 or later) might be difficult to justify and would not be acceptable by all departments. On the other hand, one of the problems which emerges from considering the basis for a charging system is the question of whether financial responsibility should be linked to functional responsibility for maintenance. As a further view will have to be taken in 1988 on the balance of responsibilities between PSA and Departments it might be preferable not to act in advance of that review. There are also arguments in favour of a period of stability in which departments can gain experience of the substantial changes already involved in the standard option. That would also point to leaving over any change until the review of PRS in 1988.

2.6.7 We therefore recommend (recommendation 9) that further consideration should be given in November 1986 to the options for changing the present charging system and to whether it would be desirable to implement any changes in either 1988/89, or at a later date which would enable full account to be taken of the further review of PRS in the latter part of 1988.

## 2.7 Reductions in PSA manpower

2.7.1 We were asked to look again at the estimate in 11.6 of one main report of the manpower effects on PSA of the delegations proposed under the standard option. The estimate was that if all clients adopted the standard option some 77 posts might be saved. We have considered a number of different methodologies for calculating the link between loss of expenditure and reductions of staff so as to test the original estimate. All produce lower figures, but in all but one case only marginally lower we therefore consider the estimate of 77 posts should stand. The details of the calculations and a distribution of the posts between departments are to be found in Annex D.

THE PART I OGA PROGRAMME: BREAKDOWN  
OF PROVISION FOR 1985/86

<u>England, Wales and Northern Ireland</u>	£m
London - Departments' HQ requirements.	3.63
Regional Offices	
New construction and extensions	1.69
Occupational services and adaptations	0.51
Local Offices	
New construction and extensions	2.5
Occupational services and adaptations	0.98
Computer buildings.	13.84
London - major schemes sponsored by PSA (Conference Centre and Richmond Yard).	23.2
 <u>Scotland</u>	
New construction and extensions..	3.0
Occupational services and adaptations.	0.83
Computer buildings.	2.71
Dispersal buildings.	6.42
 <u>UK Programmes - Part I Element (1)</u>	
DE - Relief of overcrowding in UBOs (2)	4.16
Inland Revenue	
Local office reorganisation (3)	1.78
COP/CODA Local office conversion	1.35
CISCO - Restaurant improvement (4)	0.8
Spend to Save Estate Rationalisation	4.6

Notes

- (1) These programmes include both major and minor new works.
- (2) Largely funded by DE.
- (3) Funded by Inland Revenue.
- (4) Funds provided by Treasury specifically for this purpose over 5-year period.

## ANNEX B

## APPORTIONMENT OF FUNDS AVAILABLE FOR PART I WORKS IN PROPORTION TO FORECAST WORKS SPEND

	£000s cash							
	1987-88		1988-89		1989-90		Resource Share	Resource Share
	Forecast Works Spend	Resource Share	Forecast Works Spend	Resource Share	Forecast Works Spend	Resource Share		
2.1 Overseas Representation	589	123	604	127			130	
3.7 MAFF	4250	950	5412	1137			1164	
4.2 Sci & Tech Assistance	8822	1854	9043	1900			1945	
6.4 Ports and Shipping	1089	228	1116	235			240	
6.7 Other Transport	1303	273	1336	281			287	
8.6 Misc Env Svcs	1051	221	986	210			215	
9.1 Administration of Justice	36990	7774	38990	8192			8387	
9.2 The Penal System	-	1000	-	1000			1100	
9.3 General Protective Svcs	315	66	296	63			65	
9.4 Civil Defence	5298	1113	2296	482			494	
9.6 Home Office Misc	320	75	325	69			71	
11.3 Health	8131	1708	8334	1751			1793	
13.4 Records	100	20	NIL	NIL			NIL	
15.1 Ag. & Fish. Scotland	1175	247	1205	253			259	
15.7 Law and Order	6402	1345	7732	1624			1663	
15.9 Arts and Libraries	6599	1387	5754	1209			1238	
	82704		83432					
SUB TOTAL								
14.1 OGA (not subjected to further analysis)	22435	4716	16499	3467			3549	
OVERALL TOTAL	105139	23100	99931	22000			22600	FPSA

← assumed the same as for 1988/89 →

PRS - PART II/III SERVICES  
Comparison of PRS Charges and Recorded Expenditure

	1983/84					
	PRS Charge £'000	Recorded Expenditure (a) £'000			(i)-(iv) £'000	(i)-(iv) %
		Direct	Apportioned	Total		
	(i)	(ii)	(iii)	(iv)	(v)	(vi)
MAFF	5989	5323	565	5888	- 101	- 1.7
Cabinet Office	288	299	17	316	+ 28	+ 9.7
COI	334	342	3	345	+ 11	+ 3.3
Charity Comms	72	57	6	63	- 9	- 12.5
Customs & Excise	5106	6350	300	6650	+ 1544	+ 30.2
Crown Estate Comms	49	21	2	23	- 26	- 53.1
Crown Office Scotland (b)	-	-	-	-	-	-
MOD	8962	7921	828	8749	- 213	- 2.4
DES (c)	862	493	295	788	- 74	- 8.6
DEmp	6302	9631	675	10306	+ 4004	+ 63.5
DEnergy	430	858	38	896	+ 466	+ 108.4
DOE	3178	3095	450	3545	+ 367	+ 11.5
ECGD	477	711	41	752	+ 275	+ 57.7
FCO	2018	2265	831	3096	+ 1078	+ 53.4
Reg friendly Socs	34	6	-	6	- 28	- 82.4
Govt Actuary	32	118	8	126	+ 94	+ 293.8
DHSS	17856	15206	2186	17392	- 464	- 2.6
Home Office	4344	4535	723	5258	+ 914	+ 21.0
IRO	16793	14639	2532	17171	+ 378	+ 2.3
IBAP	73	132	-	132	+ 59	+ 80.8
LCO	4175	7921	485	8406	+ 4231	+ 101.3
MPO	630	656	63	719	+ 89	+ 14.1
NAO	102	55	8	63	- 39	- 38.2
NEDO (d)	-	-	-	-	-	-
NILO	20	37	-	37	+ 17	+ 85.0
DNS	967	610	118	728	- 239	- 24.7
Nth Ireland Office	146	230	7	237	+ 91	+ 62.3
OAL (c)	-	-	-	-	-	-
ODA	523	930	5	935	+ 412	+ 78.8
OFT	125	85	13	98	- 27	- 21.6
OPCA	31	148	2	150	+ 119	+ 383.9
OPCS	568	250	45	295	- 273	- 48.1
O Tel (e)	-	-	-	-	-	-
PGO	152	152	-	152	-	-
PSA	4236	(f) 5526	1159	6685	+ 2449	+ 57.8
Privy Council	10	20	1	21	+ 11	+ 110.0
PRO	682	686	58	744	+ 62	+ 9.1
Registrar Scotland (b)	-	-	-	-	-	-
GRO Scotland (b)	-	-	-	-	-	-
Scottish Office (b)	3120	2954	946	3900	+ 780	+ 25.0
Scot Courts Admin (b)	-	-	-	-	-	-
DTI	5940	6316	672	6988	+ 1048	+ 17.6
DTP	3882	5024	332	5356	+ 1474	+ 38.0
Treasury (d)	984	1135	170	1305	+ 321	+ 32.6
T Sol (d)	-	-	-	-	-	-
Welsh Office	969	581	173	754	- 215	- 22.2
Vacant	2374	3690	1168	(g) 4858	+ 2484	+ 104.6
Totals	(h) 102835	109008	14925	(i) 123933	+ 21098	+ 20.5

PRS - PART II/III SERVICES

Comparison of PRS Charges and Recorded Expenditure

	1984/85					
	PRS Charge £'000	Recorded Expenditure (a) £'000			(i)-(iv) £'000	(i)-(iv) %
		Direct	Apportioned	Total		
	(i)	(ii)	(iii)	(iv)	(v)	(vi)
MAFF	5442	4349	572	4921	- 521	- 9.6
Cabinet Office	198	273	18	291	+ 93	+ 47.0
COI	314	500	3	503	+ 189	+ 60.2
Charity Comms	76	42	6	48	- 28	- 36.8
Customs and Excise	4778	6254	304	6558	+ 1780	+ 37.3
Crown Estate Comms	39	58	2	60	+ 21	+ 53.8
Crown Office Scotland	222	334	25	359	+ 137	+ 61.7
MOD	8971	7570	839	8409	- 562	- 6.3
DES	761	470	290	760	(j)- 1	- 0.2
DEmp	6178	8166	684	8850	+ 2672	+ 43.3
DEnergy	495	690	39	729	+ 234	+ 47.3
DOE	2764	2193	456	2649	- 115	- 4.2
ECGD	442	636	42	678	+ 236	+ 53.4
FED	2076	2511	842	3353	+ 1277	+ 61.5
Reg Friendly Soccs	45	15	-	15	- 30	- 66.7
Govt Actuary	32	44	8	52	+ 20	+ 62.5
DHSS	17069	14839	2215	17054	- 15	- 0.1
Home Office	4962	4516	733	5249	+ 287	+ 5.8
IRD	15716	17041	2565	19606	+ 3890	+ 24.8
IRAP	70	186	-	186	+ 116	+165.7
LCD	5405	8869	491	9360	+ 3955	+ 73.2
MPO	658	807	64	871	+ 213	+ 32.4
NAO	102	66	8	74	- 28	- 27.5
NEED	64	138	3	141	+ 77	+120.5
NILO	23	44	-	44	+ 21	+ 91.3
DNS	846	507	119	626	- 220	- 26.0
Nth Ireland Office	170	242	7	249	+ 79	+ 46.5
OAL	27	16	9	25	- 2	- 7.4
ODA	567	680	5	685	+ 118	+ 20.8
OFT	124	76	13	89	- 35	- 28.2
OPCA	32	136	2	138	+ 106	+331.3
OPCS	578	1014	46	1060	+ 482	+ 83.4
O Tel	24	49	-	49	+ 25	+104.2
POC	134	128	-	128	- 6	- 4.5
PSA	4203	(f) 5662	1174	6836	+ 2633	+ 62.6
Privy Council	24	20	1	21	- 3	- 12.5
PRO	811	2313	59	2372	+ 1561	+192.5
Registrar Scotland	112	28	5	33	- 79	- 70.5
LRD Scotland	73	79	72	151	+ 78	+106.8
Scottish Office	1902	1110	677	1787	(k)- 115	- 6.0
Scot Courts Admin	738	982	180	1162	+ 424	+ 57.5
DII	5594	6589	681	7270	+ 1676	+ 30.0
DIP	4998	5494	336	5830	+ 832	+ 16.6
Treasury	857	862	143	1005	(l)+ 148	+ 17.3
T Sol	266	89	26	115	- 151	- 56.8
Welsh Office	868	874	175	1049	+ 181	+ 20.9
Vacant	(m) 7773	3669	1183	4852	- 2921	- 37.6
Totals	(n) 107623	111230	15122	(o) 126352	+18729	+ 17.4

NOTES

- a. Recorded expenditure includes both expenditure directly attributed to a client department (col ii) and that which is recorded by property and apportioned to the occupying departments by area of occupation (col iii).
- b. In 1983/84 the entry for Scottish Office includes the Crown Office, Registers for Scotland, General Register Office (Scotland) and Scottish Courts Administration.
- c. In 1983/84 DES includes OAL.
- d. In 1983/84 Treasury includes NEDO and T/Sol.
- e. New client in 1984/85.
- f. Includes costs of services carried out for the estate as a whole but not apportioned to departments (eg water sampling and testing by the Laboratory of the Government Chemist) and certain end-of-year adjustments on DEL overheads.
- g. Includes expenditure on Vacant areas for which PSA did not bear the Accommodation Charge in 1983/84.
- h. In calculating the amount to be recovered through the Accommodation Charge £6.6m was netted off from projected Part III expenditure, representing the maintenance element in service charges received from non-PRS clients.
- i. Includes expenditure of £3.2m on collective services not recovered from clients, £3.5m of expenditure against funds transferred from elsewhere in PSA's Vote, and £5.1m of overspend.
- j. Difference would have been - £3,000 if OAL still included.
- k. Difference would have been + £445,000 if Crown Office, Registers of Scotland, GRO (Scotland) and SCA still included.
- l. Difference would have been + £74,000 if NEDO and T/Sol still included.
- m. Includes charges raised on all categories of Vacant accommodation.

n. In calculating the amount to be recovered through the Accommodation Charge, £6.9m was netted off from projected expenditure to reflect the maintenance element in service charges received from non-PRS clients, and £2.7m to reflect miscellaneous receipts. It was also assumed, in line with PES assumptions for the PRS system as a whole, that the size of the civil estate would decrease by 2% between September 1983 and September 1984. In the event ALA decreased by only 0.042%, resulting in higher receipts than anticipated.

o. Includes PES transfers of £1.8m, £9.2m on collective services not recovered from clients, and £1.7m of expenditure against funds transferred from elsewhere in PSA's Vote. This total represents an underspend of £2.3m against provision.



PRS/IDC (86) 8

## INTER-DEPARTMENTAL COMMITTEE ON PRS

## MANPOWER IMPLICATIONS OF THE STANDARD OPTION

Note by PSAIntroduction

1. It was estimated in PRS/IDC (85) 14 that the transfer of resources from PSA to departments to implement the standard option would be in the region of £13.2m at 1985/86 prices, excluding expenditure on Part II services to be provided on a repayment basis, and assuming that all departments elected to move on to that option. An attempt was also made in that paper to exemplify the manpower effects for PSA of this increase in delegation.

2. At the meeting of Permanent Secretaries on 5 February the IDC was remitted to look again at this issue. This paper accordingly sets out a further analysis of the data available.

## PRS/IDC (85) 14

3. Information derived from PSA's PATOCAP management information system showed that if responsibility for all maintenance and minor new works expenditure on the PRS estate were transferred to departments the result would be a reduction in PSA's manpower requirement of some 1,100 posts, once allowance had been made for proportionate reductions in supervisory support, contracts and establishments staff. This implied a ratio of manpower to works expenditure of one post for every £95,000 of expenditure. However, it was evident that in reality smaller increases in delegation would not be translated into staff savings on this scale, as marginal reductions in works expenditure would not give rise to significant charges in workload outside the District and Area Works Offices. On the other hand, PATOCAP data also indicated that the time devoted to operational duties directly related to Part II and Part III expenditure for PRS clients was equivalent to about 600 posts, from which it could be inferred that at the margin every reduction of £175,000 in works expenditure could be expected to result in a saving of one post.

4. The Committee accepted the proposition in PRS/IDC (85) 14 that in practical terms the consequences of an increased PRS delegation of the magnitude being considered would lie somewhere between the marginal and average rates of change in PSA's manpower requirements suggested by these figures. It was further accepted that the movement from one rate to the other might be by regular step-wise gradations, with a rate of one post for every £155,000 applying in the £10m - £20m range. This yielded a possible manpower saving of  $77\frac{1}{2}$  posts, as follows:

$$\frac{\text{£10.0m}}{\text{£0.175m}} = 57.1$$

$$\frac{\text{£3.2m}}{\text{£0.155m}} = 20.6$$

77.7, say  $77\frac{1}{2}$  posts (rounded to 77 in main report)

5. If, alternatively, it had been assumed that the increased delegation would have no effect outside the local works organisation, then applying the marginal rate derived from PATOCAP to the whole tranche of expenditure would yield:

$$\frac{\text{£13.2m}}{\text{£0.175m}} = 75.4, \text{ say } 75 \text{ posts.}$$

#### Other Methodologies

6. A number of other techniques have been used in PSA to determine for internal management purposes the relationship between works expenditure and the deployment of manpower. These can be applied to the estimated £13.2m of the standard option delegation, and in each case produce figures which are broadly comparable with the 77 above.

#### 1. Bristol Yardsticks

7. When PSA's District Works Offices were first set up in the early 1970's, the "Bristol yardsticks" were devised to define optimum

workloads and staffing levels both at District and at Area Works Offices. The updated yardsticks recommend normal loads for Part II and Part III work, at January 1985 prices, of:

PTO 1	£5.53m
PTO 2	£1.33m
PTO 3 )	
PTO 4 )	£0.32m

Applying these loadings gives:

PTO 1s	13.2	=	2.4
	<u>5.53</u>		
PTO 2s	13.2	=	9.9
	<u>1.33</u>		
PTO 3s )	13.2	=	41.3
PTO 4s )	<u>0.32</u>		
			<u>53.6</u>
			say 53½ posts

#### 11. DWO Expenditure Model

8. An alternative method of assessment is to be found in the UKTO Staffing Models developed more recently by the PSA staff inspectors; these "fair share yardsticks" do not distinguish between grades of staff. The DWO Expenditure Model provides, in addition to a factor to convert total annual Part II and Part III expenditure to total District PTO staff, a further weighting to be applied to civil Part III expenditure to allow for the acknowledged special demands of that work. The Part III element of the £13.2m, including internal decoration, is £10.4m, and the result of applying this method is as follows:

£13.2m	x	4.1	=	54.1
£10.4m	x	2.0	=	20.8
				<u>74.9</u>
				say 74½ posts

### iii. MINIS 6

9. The sixth round of PSA's management information system for Ministers, MINIS, showed that at 1 April 1985 the Agency had 4,249 PTO staff at District and Area level. Total Part II and Part III expenditure in 1985/86, including Defence work and work for British Telecom and civil repayment clients, will amount to some £760.5m, giving an expenditure ratio of £0.179m per PTO post. This implies that the effect of the standard option delegation would be as follow:

$$\frac{\text{£13.2m}}{\text{£0.179m}} = 73.7, \text{ say } 73\frac{1}{2} \text{ posts}$$

### iv. Proportion of Expenditure

10. A further check on the MINIS 6 figures is provided by a simple proportional assessment of the manpower/expenditure relationship. If £13.2m is 1.74% of total Part II and Part III expenditure, then the reduction in manpower requirement could be assumed to be:

$$4.249 \times 1.74\% = 73.9, \text{ say } 73\frac{1}{2} \text{ posts}$$

### Summary of Results

11. In the preceding paragraphs the various methodologies examined have yielded the following results:

PRS/IDC (85) 14	77½ posts
PATOCAP marginal rate	75 posts
Bristol yardsticks	53½ posts
DWO expenditure model	74½ posts
MINIS 6	73½ posts
Proportion of expenditure	73½ posts

12. Apart from the Britol yardsticks, all these techniques produce very similar results. The procedure adopted in the earlier IDC paper gives a higher figure than any of the alternative approaches, because it assumes that at the level of delegation proposed some effects will be felt in parts of PSA's organisation other than the District and Area Works Offices.

13. There are thus no grounds for believing that the figure put forward in the IDC report underestimates the ~~charges~~ to PSA's manpower requirement arising from the standard option. It may, in fact, overestimate the effect of this increased delegation, for it was assumed that putting Part II works in office and storage properties onto a repayment basis would be neutral in manpower terms. It is not unlikely, however, that the more elaborate procedures associated with repayment will lead to increased effort both in works offices and in PSA Accounts; it is also possible that departments will take advantage of the new arrangements to commission a higher volume of Part II works than can currently be funded by PSA. It was also assumed that the effort devoted to advisory functions in relation to PRS clients, which at present amounts to some 120 man-years, would remain constant. However, it is likely that the further increase in delegation will lead to an increased demand from departments for advice and assistance, principally from DWOs but also perhaps from central parts of the organisation on issues such as Building Regulations and fire certification, and that this will to some extent offset the reduction in workload on operational functions. If anything, therefore, the estimate of 77 posts which the IDC was charged to reconsider is an over - rather than under estimate of the resources that PSA will be able to surrender.

#### Distribution of Resources

14. On the assumption that an acceptable figure for PSA's surrender of posts in connection with the standard option can be agreed with Treasury, the question remains of how these resources can be redistributed to departments. The IDC agreed, in discussion of PRS/IDC (86) 5, that it would not be feasible to distribute PES cover for the increased delegation to departments by any other means than a uniform reduction of the club subscription. In other words, funds would be distributed pro rata to space occupied rather than in relation to any special needs. Departments who wished to make a case to Treasury for additional funds were of course at liberty to do so.

15. Similar arguments apply to the distribution of manpower. It is suggested that the only practicable basis for the allocation to departments of the posts surrendered by PSA would be pro rata to space occupied and hence to the additional funds being made available for delegated works. An illustration of the effects of such an allocation, following the percentage occupations of the civil estate shown in Annex I of the main report, is set out at Annex A. All 1985/86 PRS clients, with the exception of Vacant, are shown; the percentages have been adjusted to reflect the exclusion of Vacant. This method distributes less than 77½ posts, because of the effect of allocations of less than half a post, which for realism have not been shown. The distribution has not been re-weighted to allocate the full 77½ posts, as some of the fractions of man-years attributed to smaller departments will be retained by PSA when the number of departments choosing the traditional option is finally known, and cannot therefore be allocated to larger departments at this stage.

16. It is proposed that a proportional distribution, akin to that shown in Annex A, would be an appropriate basis for re-allocating manpower in connection with the standard option. Departments wishing to bid to Treasury for additional posts over and above this share of current resources would be free to do so. As was indicated in the main report, PSA will undertake to reduce its manpower ceiling by a given number of posts, and a comparable number of posts will in consequence be available for distribution to other departments. There is no presumption that staff will be available for transfer; any proposal to transfer staff would have to be considered on its merits, in the light of PSA's current recruitment and staffing position, and be discussed with the TUS. In any case, the intention of the IDC has been that the standard option delegations should be capable of being exercised by non-technical accommodation staff in departments, whereas the consequential reductions in workload in PSA will fall generally on PTO grades.

#### Conclusions

17. In conclusion, the IDC is invited to consider the alternative methodologies for assessing the manpower effects on PSA of the standard option, and to agree that there is no possibility of more

posts being made available for re-allocation to departments than the 77½ indicated in earlier discussions. The Committee is also asked to agree that, in accordance with its findings on the distribution of funds, the allocation of posts to departments should be based in the first instance on their areas of occupation of the civil estate.

PSA

March 1986

## ANNEX A

## ALLOCATION OF STAFF RESOURCES PRO RATA TO % OF THE ESTATE OCCUPIED

MAFF	6½	NEDO	0
CAB OFF	0	OFF FAIR TRAD	0
COL	0	ODA	0
CHAR COMM	0	OPCAD	0
CUST & EXC	3½	PGO	0
MOD	5½	OPCS	0
ED&SC	0	PRIVY CO	0
EMPL	4½	PSA	3
ENERGY	0	PRO	½
DOE	1½	DT&I	3½
ECGD	0	DTP	3½
PCO	1	TREASURY	½
RF SOCY	0	T SOL	0
GOVT ACTY	0	WELSH OFF	½
DHSS	13	NI OFF	0
HOME OFF	4½	NI COURT	0
OPTEL	0	SCOT OFF	1½
INL REV	12	CR OFF SCOT	0
IBAP	0	D REG SCOT	0
LCD	4	GEN REG SCOT	0
MPO	0	SC CTS AD	½
N INV & LOAN O	0	OAL	0
DNS	½	PSA CONF	0
		TOTAL	<u>70</u>



Gov. MACH. - Rayner - Pt 20

