MR FLESHER (No. 10)

PROPERTY REPAYMENT SCHEME

You might find it helpful to know that I would expect that Sir Robin Ibbs may wish to put in advice to the Prime Minister on the Minister for Housing and Construction's recent report on progress with this scheme.

IAN B BEESLEY

23 August 1983

Sort Mark: Lager Prog
Pt 14

PA

Michael

I agree that you should not.

Robin

The conversation with Mr. Jenkins was about the more substantial question of restructuring of the organisation of PSA not about the system of repayment for the PSA services.

Shd I, in view of ~~of~~ the

FERB

23.9.

Conversations ~~with~~ between the PM & Mr Jenkins etc, show these pp's to the PM (I wd have thought not)?

M

NO

Prime Minister (2)

AT 5/10

EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS
Enquiries : 01-233 8412
Direct line : 01-233 7359

Ian Gow Esq MP
Minister for Housing and Construction

5 October 1983

Dear Ian,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for sending me a copy of your letter of 17 August proposing certain changes to the PRS arrangements. I believe that the introduction of repayment for property services is a fundamental reform, and making it work properly will be effort well spent.

2. There are bound to be difficulties in getting the procedures properly established, and I appreciate there are severe funding limits. But we must not lose sight of the main objective - to provide a clear budgetary incentive to departmental managers to make accommodation arrangements with the PSA that yield the best possible value for money. A second objective is to give them discretion over the working environment they provide as employers for their staff.

3. There still seems a long way to go. The current proposals are a step in the right direction. But on the basis of its interim report, I think the Committee needs to be set firm targets, for achievement by the beginning of 1985-86, as follows:

(1) Setting rents sufficiently accurately to measure the relative costs of alternative accommodation options.

(2) Getting the right balance in estate management between discretion for departments over the location and quality of their accommodation, and reflecting their decisions in their administrative costs; and discretion for the PSA in getting value for money from the government estate as a whole, and reflecting the PSAs decisions similarly in its own costs. (This should imply some shift in favour of departments over the traditional allied service arrangements.)

(3) Making it worthwhile for departments to root out surplus space, and for the PSA to dispose of it, promptly.

(4) Making the working environment the clear, direct responsibility of the immediately employing department. (Funding difficulties should not stand in the way of establishing this important principle.)

4. It will be for departments to carry the arrangements through to individual line management commands.

5. I have asked the Efficiency Unit to help the development Committee, and Monty Alfred, in their task. There are very real economies to be made by getting responsibilities for accommodation, and the related incentives, right. In my view property repayment deserves to be given high priority by the PSA.

6. I am copying this letter to the Prime Minister, Chief Secretary, and the other recipients of your letter.

yours ever,

R I

ROBIN IBBS

Govt Machinery : Layer Pt 14

CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Old Admiralty Building
Whitehall
London SW1A 2AZ
Telephone 01-273 4400

Ian Gow Esq MP
Minister for Housing and
Construction
Department of the Environment
2 Marsham Street
London SW1

13 October 1983

Dear Ian,

PROPERTY REPAYMENT SERVICES (PRS)

I read your letter of 17 August, covering the interim report of the inter-departmental committee on property repayment services, with interest. I have also been following the subsequent correspondence from colleagues culminating so far in Sir Robin Ibbs' letter of 5 October. I very much agree with Robin's comments and indeed am tempted to go further. In particular I am far from clear that, at its present stage of development, PRS is doing more than generate an unproductive paper chase. Of course it is early days and certainly the specific improvements suggested in the report are helpful. I am sure however that we will only get real benefits from this new system when it can be refined to the point where the numbers represent a reasonable approximation to the costs which departments actually bear; and when departments can be given meaningful benefits from the efforts they put into saving accommodation and related costs.

I hope that the committee's final report will assist us to make progress on both fronts.

Yours,
Tony

LORD GOWRIE

CABINET OFFICE

From the Minister of State

Lord Gowrie

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DMB 27/10

Ian Gow Esq MP
Minister for Housing and Construction
Department of the Environment
2 Marsham Street
London SW1P 3EB

25 October 1983

Dear Ian,

I wrote to you on 13 October about the interim report of the Inter-Departmental Working Party on PRS.

Since then, I have paid a visit to two local Social Security Offices of the DHSS, where I had very interesting discussions with local management about the increasing scope which they are being given through FMI and other related developments to manage the resources used in their offices.

I was greatly impressed that the local managers particularly welcomed the authority to manage a budget for minor works and maintenance on their accommodation, following the introduction this year of PRS. They strongly made the point, however - and supported it with a number of telling examples - that they were hindered by the restriction that they should use contractors in the list authorised by the PSA. In some cases this had meant calling a firm from a long distance away and in others waiting a long time for the job to be done when local firms could have met the need more quickly and cheaply.

The kind of jobs in question are relatively small and simple - eg repairing windows, changing the position of electric sockets - and it is hard to believe that local managers whom we trust with very important decisions on operational matters cannot be left to get on with arranging work of this kind in a sensible fashion.

I would be grateful if you could arrange for this rule to be looked at critically and I do hope that if it cannot be got rid of altogether it can be relaxed in ways which enable local managers to proceed more simply and flexibly.

I am copying this letter to those who received copies of the earlier correspondence.

I do hope we can push this along together

Yours,
Gowrie

LORD GOWRIE

GOVT MARK.

Rayner

Pt 14

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7801

Minister for Housing and Construction

My Ref: G/PSO/45011/83

Dear Peter,

DMB 28/10

27 October 1983

PROPERTY REPAYMENT SERVICES

I was grateful for your letter of 20 September and other colleagues' comments on the Interim Report of the Inter-Departmental Committee on PRS which I circulated with my letter of 17 August.

Those replies raise a number of points about the initial operation of the PRS system. I am well aware that there have been problems, some of which have arisen from the limitations of the data which had to be used to establish the system. It was always recognised that there would be some problems to start with, but I agree with Grey Gowrie that PRS needs to be refined if the full benefits are to be gained. This will be a task for the Committee in the second stage of its work. It will need to consider, inter alia, whether any adjustment should be made in the initial allocation of resources in PES which I know has involved some inequities between individual departments.

However, there does appear to be a wide measure of agreement that the modest changes recommended for 1984-85 should be put into effect. Several colleagues drew attention to the need to provide adequate funds for departments' proposed new responsibilities for jobs in the £500-£1000 range and grounds maintenance work. I am grateful that, in your recent bilateral discussions on this year's Public Expenditure Survey, you were able to agree with Patrick Jenkin on a much needed enhancement in the provision for expenditure on maintenance of the civil estate. PSA has obtained from its regional offices estimates of the value of the work to be transferred, and will arrange for appropriate amounts to be made available to departments through an adjustment in the accommodation charge. I believe that this will meet the concern about resources which was expressed in particular by Norman Tebbit and Michael Jopling. I should add that more detailed information about the distribution of expenditure by value, which PSA has assembled since the initial transfer of resources for work in the under £500 range, does suggest that departments may have been over-funded for this work.

It will be possible to make a better assessment of this when departments' actual spending on maintenance in the current year is known. I recognise that this may be affected by initial delays in the first year of the new responsibilities, and departmental decisions to shift priorities at the margin. Nevertheless if, after allowing for these factors, departments do appear to have been over-funded, PSA may need to take this into account, along with other developments in PRS, in setting the level of their accommodation charge for 1985-86.

Michael Jopling questioned one other aspect of the proposed changes - the intention to base PRS charges for 1984-85 on agreed areas of occupation at 30 September 1983, with adjustments for subsequent changes up to 30 September 1984. I recognise the importance of establishing an agreed starting position for areas of occupation and I know that there have been some problems in reconciling at local level PSA's central lists of properties and areas. This was discussed recently in the Inter-Departmental Committee and it was agreed that where, as in the case of MAFF, differences remain, urgent action to resolve them should be taken by the department and PSA with a view to reaching agreement by the end of this month.

Janet Young suggested that departments should be provided with fuel consumption details where buildings were separately metered. Because of such factors as the frequent use of estimated readings, such information would not be as straightforward to interpret as might appear. In any event, because of other calls on PSA's accounting and computer systems, I am afraid it is not practicable to provide this information next year. But the Inter-Departmental Committee will be looking further at the whole question of charging and billing arrangements for fuel and utilities.

I have noted Tom King's suggestion that the new £1000 limit should be exclusive of VAT, but on balance I believe that an inclusive figure of £1000, representing a doubling of the present limit, is the right level of enhancement at this stage.

Peter Walker raised a question about the failure to charge departments actual rents and rates and I am writing to him separately about this.

The necessary adjustments to PES and the accommodation charge to give effect to the changes proposed for 1984-85 must now be carried through quickly, and I propose to authorise my officials to proceed with this task, in consultation with the Treasury and client departments.

The Committee will now need to press ahead with its further work, taking account of the points which have been raised in the correspondence, including the general guidance on objectives in your own letter and in that from Robin Ibbs. Some difficult issues have to be considered about the future balance of responsibilities between PSA and client departments,

but I am asking the Committee to complete its task as quickly as possible. I am also asking PSA to ensure that departments not represented on the Committee are kept in touch with developments, and have the opportunity of submitting comments before the report is completed.

I am copying this letter to the Prime Minister and all members of the Cabinet and other Ministers in charge of departments; to Grey Gowrie at the MPO; and to Sir Robert Armstrong and Sir Robin Ibbs.

IAN GOW

The Rt Hon Peter Rees QC MP

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