

cc NO



Treasury Chambers, Parliament Street, SW1P 3AG

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

20 September 1983

Ian Minister,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for your letter of 17 August covering the interim report of the Inter-Departmental Committee on PRS.

In general I welcome the Committee's recommendations as summarised in paragraph 29 of the report and I am content for them to be given effect as soon as possible. I should, however, like to make a number of points.

Firstly, it will be essential for the PSA, in consultation with customer departments, to ensure that the records of occupation are correct if the proposal to base the accommodation charge on actual areas of occupation is to get off to a smooth start. I hope that the arrangements proposed in paragraph 6 for providing improved information will be capable of achieving that and will also avoid any ambiguities on the question of whether departments should be regarded as being in occupation or not. It will be important for the agreement on the areas on which the final accommodation charge will be based to be reached as quickly as possible after 30 September to ensure that departments are in a position to control and to plan their spending efficiently.

Secondly, in increasing the limit for small jobs for which departments have responsibility, you will need to ensure that the available funds are shared between departments and the PSA in the most equitable manner.

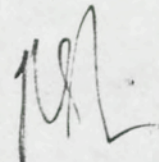
I note that the Committee is still considering a number of matters and that these will be the subject of a further report later in the year. I agree with George Younger's comments that there are other problems which the PRS has introduced which will need to be addressed. I think that the next report should set out quite clearly where the group think that PRS should be going in the next two years, what will have to be done, and by when, to achieve that, and what the operational problems to be faced by departments are likely to be. I also think it important for the Committee

to examine thoroughly the extent to which Departments should be free to place work with contractors of their choice, rather than going through PSA.

Beyond that I would not wish to comment at that stage except to say that if departments' responsibility is extended to include internal decoration then as much freedom should be given to them to arrange for such work to be carried out as is consistent with PSA's responsibilities for the maintenance of the estate.

I am copying this letter to the recipients of yours.

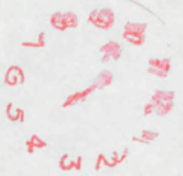
yours sincerely



for PETER REES

(approved by the CSI & signed in his absence).

GOVT MACH. *Rayns*
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SEP 1953



Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

*DWB
28/10*

My Ref: G/PSO/45043/83

Dear Peter,

27 October 1983

PROPERTY REPAYMENT SERVICES

Thank you for your letter of 21 September about the failure to charge departments actual rents and rates under the present PRS arrangements.

You accept that departments cannot occupy Crown owned properties free, just because the Government itself pays no rent, but must pay a rent which reflects opportunities for alternative uses of the property. Such opportunities - to save a new hiring, to let to a commercial tenant, to sell the property - would be based on current market values, and this must be the basis of charges to occupying departments if they are to make the correct decisions on their occupations. This achieves another desirable objective that all departments' running costs are put on a comparable basis, and departmental operations do not look cheaper or dearer because of historic accidents of the occupation and ownership of property.

If these arguments are true for Crown buildings however they are equally true of leased property which is held at below market rents. Because, before the 1960s, the Government entered into some long leases with no provisions for breaks or reviews, we still pay only very low rents on part of the estate, perhaps as little as one tenth of current values, and even on more recent lettings we have often got better terms than those now available. It would run counter to the whole purpose of PRS to allow those who happened to occupy such buildings to pay only the low rents specified in the lease. This would tend to introduce into the Government's office estate the distortions that occurred in housing when tenants, provided they stayed put, could enjoy artificially low controlled rents.

This is not to say that we think that the figures quoted for Thames House South are exactly right. In order to introduce PRS we had to use average market values, since it was impossible

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~~Report~~ Rayner 14

to value every holding (of which there are thousands) individually in advance of the implementation date. We recognise that there can be variations in either direction, between PRS rents and what would be paid in the market for a particular property (and similarly for rates). Individual rent and rate assessments are not practicable for 1984-85, and it is one of the tasks of the Inter-Departmental Committee to consider such a move in 1985-86 to improve the charging system.

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

(Handwritten marks)

IAN GOW

The Rt Hon Peter Walker MBE MP

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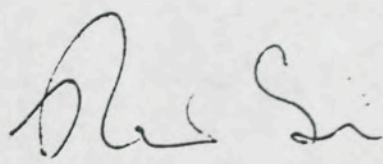
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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE, SOUTH
MILLEBANK LONDON SW1P 4QP

01-211 6402

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

21 September 1983



PROPERTY REPAYMENT SERVICES

You wrote to Peter Rees on 17 August about ways in which the PRS system might be improved, and enclosed an interim report of the Interdepartmental Committee.

I am broadly content with the minor changes which you propose for implementation in 1984/85 but, like others, I am far from clear that your proposals go far enough or grapple adequately with the problems created by the introduction of PRS in its present form.

There is one point in particular which strikes me as strange: the failure to charge Departments actual rents and rates where this information is readily available. I can see that where a Department is occupying a building owned by the Crown, the charge for rent to this Department must inevitably be in some sense a notional figure eg the rent foregone as a result of occupation by the Department. But where an actual rent is being paid the right course ought surely to be to make the Department and its Accounting Officer responsible for that rent and the associated rates at the level which is in fact paid.

I appreciate that it will be a matter of history and of accident whether a Department is in rented or Crown-owned accommodation, and if there is a rent, whether the rent is high because a lease is new, or low because the lease is old. I do not believe that matters. The purpose of the change to repayment proposed by Derek Rayner was to create the right management incentives and to bring out more clearly the cost of each services. In the

case of rented buildings, the objectives are properly achieved only by charging the Department the actual rent and making the Accounting Officer account for payments which are real, not notional.

In the case of my Department the present arrangements result in an excessive notional charge which I have only the most limited scope for influencing. A group of my officials which is monitoring running costs has found, for instance, that the charge for rent and rates in respect of Thames House South (our headquarters building) is £5m in 1983/84 whereas the actual cost to the Government is £3.7m. The main discrepancy was in the initial charge of £2.2m for rates which would have been £0.85m if they had been assessed at an actual level.

It seems to me that it would not be at all difficult to go over to an actual rental basis for rented accommodation in 1984/85. I think this would be a step in the direction of Derek Rayner's original objectives.

More generally, I am sure it is right to move in the direction of giving Departments more control over their working environment with proper financial provision to support this; and to provide genuine incentives to surrender unwanted accommodation. In the latter case there needs to be constructive thought in what constitutes a 'viable unit' for a small Department like my own which is largely accommodated in a single building.

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



PETER WALKER

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QUEEN ANNE'S GATE LONDON SW1H 9AT

29 September 1983

R. Rees,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for copying to me your letter of 17 August to Peter Rees, covering an interim report of the Inter-Departmental Committee which considered how PRS may be developed and improved. I am sorry not to have replied before now.

In general I am content with the proposed changes that seek to improve the accuracy of the accommodation charges by sharpening the basis of calculation. I would also have no objection to the £500 limit on minor new works undertaken by Departments being increased to £1,000 provided that sufficient funds are made available. On this point we shall need to scrutinise with particular care the financial adjustments which PSA propose to make.

I am copying this letter to the recipients of yours.

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Ian Gow, Esq, MP

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29 SEP 1985

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Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

20 September 1983

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Dear Ian,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for sending me a copy of your letter of 17 August to Peter Rees.

I see no objection in principle to any of the four changes proposed for 1984/85. As you know, I am all for giving Departments increased responsibility for their accommodation. I agree that the proposal to raise the ceiling of responsibility for minor works, if properly implemented, will be a great advantage. However, I am concerned about the financial implications.

My officials calculate that we shall have to make up a shortfall of about £1.7m this financial year as a result of inadequate PES transfers on 1 April. The prospects for 1984/85 are equally bleak. It would be a pity if such a good move were spoiled by a lack of resources.

I therefore hope that your PES additional bid of £35m for extra maintenance spending next year will be successful. Nothing reflects more quickly and obviously on the working environment than failure to undertake minor maintenance. The latter, you may agree, has been carried out at an inadequate level for some years.

I am in principle happy with the ideas still under consideration for possible later implementation, though the same general point applies about financial provision. I do not understand, however, why it is necessary to delay providing departments with details of consumption of electricity, gas, etc, where buildings are separately metered. On the face of it there should be no particular difficulty about this and the information might provide a useful management tool for encouraging economy.

I am copying this letter to the recipients of yours.

Yours ever

Janet

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

Baroness Young



CC NO

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ms 16/9

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

G.T.N. 2915

From the Minister of State for Social Security

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

15 September 1983

My dear Ian,

INTER DEPARTMENTAL COMMITTEE ON PROPERTY REPAYMENT SERVICES

You wrote to the Chief Secretary on 17 August inviting comments on the interim report of the Inter Departmental Committee of officials outlining possible changes to the Property Repayment Services (PRS) system.

My predecessor welcomed the setting up of this Committee as DHSS thought that the initial arrangements for the PRS were certainly capable of improvement. I was accordingly glad to see that the interim report recommended a number of modest but useful changes for 1984/85 which will increase the responsibilities of Departments without prejudicing the PSA's overall concern for the economic maintenance of the government estate. The Committee is right to point to the difficulties which Departments will face if they have to take on these extra responsibilities without adequate resources to achieve a proper standard of maintenance. But we agree that whatever the outcome of the PES bid for extra funds, the higher limit for maintenance work by Departments should be introduced from next April. We are content with the other recommendations for 1984/85 also, subject to the provisos in the report.

We were also encouraged to see that the Committee will be going on to consider further the proposals for giving Departments more responsibility for work to improve the working environment and more incentives to make the most economic use of buildings in their occupation. We would certainly like to see progress in these areas which would be entirely consistent with the other steps we and other Departments are taking as a result of the Financial Management Initiative and other developments to devolve to line management more responsibilities for the management of resources. We would hope too that the Committee will give careful consideration to the possibility of allowing Departments flexibility to get work done other than through the PSA. Whilst not underestimating the issues this raises for the responsibilities of the PSA and for Departments themselves,

E. R.

it remains the case that for so long as we are tied to a PSA monopoly for technical and contracting services it is impossible for us to know whether we are securing the best value for money in the use of our resources in this field.

I am copying this letter to the recipients of yours.

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Rhe*

DR RHODES BOYSON



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

15 September 1983

Dear Ian.

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for sending me a copy of your letter of 17 August to Peter Rees with a report on possible changes to the PRS system.

I generally welcome the changes proposed for 1984-85. I am also attracted by some of the ideas canvassed in your paper for later years, particularly on more detailed assessments of property rents and incentives to give up space. I hope that these changes can be brought about by 1985-86.

I am copying this letter to the recipients of yours.

*Erna
Kerr*

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Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....⁶⁴⁰⁰

Switchboard 01-213 3000

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Ian Gow Esq MP
 Department of the Environment
 2 Marsham Street
 LONDON SW1P 3EB

14 September 1983

D Ian.

PROPERTY REPAYMENT SERVICES (PRS)

You sent me a copy of your letter to Peter Rees dated 17 August in which you invited comments on the changes proposed by the Inter-Departmental Committee on PRS in its interim report.

I am content with the changes proposed in the report for 1984/85, with one major reservation. This concerns the adequacy of the resources transferred to Departments to meet their increased responsibilities. I cannot agree with the view that the increase to £1,000 in the cost limit for minor work should go ahead from April 1984, despite the fact that the money transferred could well be inadequate to meet the increased responsibilities.

PSA has of course had difficulties, for a number of years, in funding all necessary maintenance work, and the report records that the present level of funding is considered to be inadequate to achieve a proper standard of maintenance. Under the present arrangements for work in the £500 - £1000 range PSA are at least in a position to assess priorities within available resources over the whole Government estate. This advantage will be lost when the work is decentralised and the problem of inadequate funding is likely to become even more acute. I suggest that this would not be a sound basis for change.

The difficulty over funding will be further aggravated if the changes in responsibility for maintenance that are proposed for 1985/86 are to go ahead. I can see little benefit to Departments in transferring to them the responsibility for ordering and paying for work, if the necessary resources are not to be made available.

I am copying this letter to the recipients of yours.

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Norman

GOVT MARCH: Raynes # 14

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Gow M. C. W.
Rayner A. J. 14



From the Minister

cc NO MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

NBPM

MU 13/9

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

13 September 1983

My Dear Ian,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for copying to me your letter of 17 August to Peter Rees enclosing an interim report on PRS.

I fear that PRS has not got off to a good start. In particular PSA have been unable to provide Departments with adequate information about the accommodation for which they are being charged. There have also been signs of serious shortages of funds. PRS has also imposed new tasks which Departments have had to carry out without any manpower relief. If the scheme is to produce its expected benefits, it will have to work much better in future.

Accordingly I welcome para 29(a) of the report enclosed with your letter. Para 29(c) also seems to be an improvement. My attitude to paras 29(b) and (d) is more reserved.

In the case of para 29(b), I am content with the proposal in principle, but, as para 10 of the report indicates, it cannot sensibly be introduced until Departments have been able to agree with PSA on their current accommodation areas. At the moment there are, for example, a significant number of discrepancies between what PSA HQ and PSA local offices are saying about the areas which MAFF occupy. In order to prepare our 1984/5 estimates so that we can pay an accommodation charge based on our actual occupations as at 30 September 1984, we must be quite clear what we are being charged for now and how that will be changed by our planned accommodation changes over the next year. If we cannot secure the necessary clarifications from PSA by the end of next month at the latest, we must continue for 1984/5 with the current arrangement

/and have our ...

and have our accommodation charge fixed for the year in advance.

The proposal in para 29(d) is also welcome in principle, but it has got to be accompanied by a proper reduction in PSA's accommodation charge. The report enclosed with your letter clearly implies that, because PSA is short of funds, they will make only a small reduction, thus forcing Departments to try and find the money for their new minor work responsibilities from elsewhere in their budgets. This is unacceptable. If PSA's maintenance funds have been cut too severely, then PSA must not just try and pass the problem on to other Departments.

I am copying this to the Prime Minister, other Ministers in charge of Departments, Grey Gowrie and to Sir Robert Armstrong and Sir Robin Ibbs.

James Ewing
Michael

MICHAEL JOPLING

13 SEP 1983

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NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

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

8 September 1983

Handwritten initials and date: DG 9/9

Dear Ian,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for sending me a copy of your letter of 17 August to Peter Rees covering a copy of the interim report of the Interdepartmental Committee which is considering how the PRS system might be improved.

I welcome the minor changes which you propose should be brought into effect from April 1984 but note that the main problems which the introduction of PRS has created for my Department and several others have still to be addressed. I trust that you will keep the Committee to its undertaking to produce a further report covering these important matters later this year so that the introduction of further improvements is not held up beyond 1985-86. It would also help if the Committee were to consult other Departments about the problems which they have encountered and to seek their views about possible improvements in the system.

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

Yours sincerely,

George

ST. LOUIS
POST OFFICE
ST. LOUIS, MO.

19 SEP 1983



Good Mech. & Repair for 14

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,
SW1A 0PW

8 September, 1983

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

My dear Ian:

Property Repayment Services (PRS)

Your letter of 17th August invited comments on the recommendations of the Inter-Departmental Committee which considered how the PRS system might be improved.

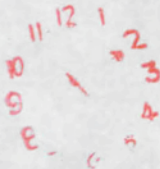
While I am content that the proposed changes be brought into effect, nevertheless I share the concern expressed by the Committee about the constraints on the financial resources likely to be available for minor works. We really must try to ensure that there is sufficient money to achieve a proper standard of maintenance, especially in our courts buildings. Moreover I believe that the proposals to delegate to departments more responsibility for minor works will increase our workload at a time when we are seeking to reduce manpower levels. But having said that I do not regard my reservations as being of sufficient weight to delay implementation of the changes.

Copies of this letter go to members of the Cabinet, Grey Gowrie, Sir Robert Armstrong and Sir Robin Ibbs.

yrs:

Gert Mach
Rayner, pt 14

9 SEP 1983



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GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel: 01-233 3000 (Switsfwrdd)
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Oddi wrth yr Is-Ysgrifennydd Seneddol



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel: 01-233 3000 (Switchboard)
01-233 7448 (Direct Line)

From The Parliamentary Under-Secretary

Our Ref: CT/3336/83

6 September 1983

Ian,

OR
7/9

PROPERTY REPAYMENT SERVICES (PRS)

have attached

In the absence of Nicholas Edwards I am replying to your letter of 17 August in which you propose certain changes to the PRS arrangements.

We generally welcome the proposed alterations, and are content that they should be introduced in April next. It is, of course, important to us that we have adequate funds to go with our increased responsibilities and, in due course, we will be looking very carefully at the level of the funds which will be transferred to us.

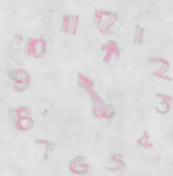
I am copying this letter to recipients of yours.

Wyn Roberts
WR

WYN ROBERTS

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

7 SEP 1967



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