



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

2 August 1984

*Wagon  
JMS  
3/8*

*Sea Chief Seneta*

DEVELOPMENT OF THE PRS SYSTEM

Thank you for your letter of 29 June.

As you say, we now have general agreement that individually assessed rents should be introduced in 1986-87, and I agree with you that these must be at current market levels in order to reflect the true cost of the property, freehold and leasehold, occupied by the Government. The effect of the change on individual departments' rent and rate payments should be known this autumn and we shall then be in a position to consider well before the start of the 1985 Survey whether any PES redistribution may be appropriate.

Before leaving the subject of rents, I should comment on the suggestion that Departments should be free to challenge the assessments. In the course of normal contact between Departments and PSA's estate surveyors no doubt questions will be asked and answered about the figures. But I should remind colleagues that whilst PRS introduces the main features of a repayment relationship into accommodation matters it is designed to do so without adding significantly to staff costs. It will be PSA's responsibility to ensure that its rent assessments reflect current market levels, and I do not think that the bureaucracy involved in formal procedures for challenge and arbitration would be justified.

I agree that we must come back to the subject of maintenance and minor new works before the 1985 Survey and look then at the wider issues which have been raised in this correspondence. Perhaps I can set out for colleagues' benefit more details of what work will be done in PSA in the remainder of 1984 in preparation for the further discussions which will be required.

As discussed earlier with the Treasury, PSA's proposals for maintenance in the 1985-86 Estimates will be founded on the preparation of a 3-year programme of work covering the period 1985-86 to 1987-88, incorporating a system of priorities, and identifying separately the individual, large projects which ought to be tackled in this period. My officials are currently in touch with yours to check that this meets Treasury views on what should be done.



I have also taken note of the comments by colleagues that they ought to know more of the content of the programme or even participate in its formation since they are paying for the work. There are practical difficulties involved here, since there are several thousand departmental occupations involved. However, it has always been the case that our programme takes account of occupants' requirements for work as well as PSA's assessment of what needs to be done, and accommodation officers have been told what work is going to be done in their buildings where this involves access by contractors and disturbance to occupants. We will be seeing if, at least for the larger buildings, the close liaison between PSA and Departments' local staff which already exists can be developed into participation in the formulation of the 3-year programme.

Several colleagues have gone further and suggested that they would want to link paying more to having control of decisions on what work should be done. The existing PRS minor works schemes has already been allotted about 25% of the funds PSA had for maintenance of the civil estate. If we were to go above the £1000 order limit we should start to get into areas where accommodation officers in the smaller offices at least might run into trouble if left to their own devices. However, we are now looking at internal decorations as a possible candidate for transfer to departments, either on the basis that the work can be ordered direct or, if this raises too many problems, that it can be ordered through PSA on the "traditional" repayment basis. I hope it will be possible to launch some trials of developments along these lines next year.

The proposals we put forward for 1986-87 and later years will reflect the further work I have described. Meanwhile, I should remind colleagues that for the moment, PSA's maintenance and minor new works programmes remain severely constrained by the present level of funding and, in the case of minor new works, the impact of VAT.

I am copying this letter to the **Prime Minister**, members of the Cabinet and other Ministers in charge of Departments and to Sir Robert Armstrong and Sir Robin Ibbs.

*Yours sincerely,*

*Atkinson*

for PATRICK JENKIN

*(agreed by the Secretary of State, and signed in his absence).*



Raynes. P#15

3 AUG 1984

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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

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From the Minister for Trade

The Rt Hon Patrick Jenkin MP  
Secretary of State for the  
Environment  
2 Marsham Street  
LONDON  
SW1

*nbfm*  
*J.*  
13 August 1984

*Dear Patrick,*

PROPERTY REPAYMENT SYSTEM

Thank you for sending Norman Tebbit a copy of your letter of 2 August in reply to Peter Rees' of 29 June, about the development of the Property Repayment System.

I hesitate to add to the extensive correspondence on this subject. I do appreciate your difficulties, but am concerned about the position that seems to have been reached.

The proposition, as I now understand it is -

1. Departments will be charged assessed rents on leasehold properties because actual rents would not reflect the "true" current costs of accommodation;
2. Departments will not be able to challenge the assessed market rents in any real sense; and
3. For practical and other reasons Departments are unlikely to have any major influence on the maintenance of their estate in the foreseeable future.

Taken with the realities of the present situation, whereby Departments are not in a position to rationalise their estate, and where the money available for maintaining the buildings they already have is apparently inadequate, I do find the whole Property Repayment System unnecessarily arbitrary and lacking in credibility. The System was designed to make Departments more aware of the real costs of their accommodation and to have some effective say in such matters. However, the present and proposed arrangements, whilst generating a great deal of work in my Department, are failing to satisfy that essential purpose: we have the worst of all worlds.





On the question of rents, for example, I note what you and Peter Rees have said about the virtues of assessed rents on leasehold and Crown properties. But, in the case of leasehold properties, I remain of the view that actual rents would be more realistic particularly where leases have been re-negotiated or let since the Property Repayment System was introduced.

The point of this letter, however, is to reiterate my view that Departments should not again be presented with a fait accompli on the details of running the Property Repayment System. While I strongly support the concept of a Repayment System its development needs very careful consideration by officials and I trust that there will be full consultation with Departments before particular ideas are either rejected or recommended to Ministers.

I am copying this letter to the Prime Minister, Cabinet colleagues, Sir Robert Armstrong and Sir Robin Ibbs.

*Yours,*

PAUL CHANNON

*Paul*





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

The Rt Hon Patrick Jenkin MP  
Secretary of State for the  
Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

*NBJ*  
*HL*  
28<sup>th</sup> August 1984

*Dear Patrick,*

DEVELOPMENT OF THE PRS SYSTEM

Thank you for sending me a copy of your letter of 2 August to Peter Rees in reply to his of 29 June about the development of the Property Repayment System. I am glad to see that there will be an opportunity before the 1985 Survey to consider both PES redistribution in respect of rent and rates payments and future resources for maintenance and minor new works.

I have also seen Paul Channon's reply to you of 13 August and endorse very strongly what he says. We seem to be getting further away all the time from the kind of commercial realities in relation to Departments' accommodation costs which I thought Derek Rayner had in mind when he recommended that PRS be introduced in the first place. Instead of being charged for the actual rent which PSA pays for our buildings we are to be asked to meet PSA's assessment of current market levels even for leasehold properties; and because PSA notifies its charges to us every year, our accommodation costs are to be assessed as if the rent in the lease was subject to annual review. The effect of that must be to subject Departments to higher charges than they would expect to pay under the normal commercial practice of 5 yearly rent reviews. I hope therefore you will be prepared to reconsider your proposal so far as leasehold properties are concerned before proceeding further.

It is really most unsatisfactory that programme budgets should be continually exposed to arbitrary demands from the PSA with no right of appeal. It was on those grounds that I and others took exception to your proposals earlier this year for funding the Agency's arrears of maintenance work. At the risk of adding further to the staff costs which the introduction and development of PRS caused, I would support Paul Channon's suggestion that there should be proper consideration and consultation with Departments at official level before decisions are taken about particular refinements of the scheme.

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

*James was,*  
*George.*



CONT MARCH  
Carpus







CCW

## CABINET OFFICE

*From the Minister of State*

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street

London SW1P 3AL

Telephone 01-233 8610

The Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
2 Marsham Street  
LONDON SW1P 3EB

6 September 1984

*abpm  
DMS  
12/9*

*Len Petric*

### DEVELOPMENT OF THE PRS SYSTEM

Thank you for sending me a copy of your letter of 2 August to Peter Rees. I have also seen Paul Channon's letter of 13 August and George Younger's of 28 August commenting further.

It seems to me that while we have broad agreement on the direction in which we want the PRS system to develop, some of the details continue to cause anxiety to Ministers in charge of departments. The question of whether individually assessed rents should be based invariably on market rents as assessed by PSA, or on actual rents where these are available, is a case in point. I think it would be helpful if you and Peter Rees could set out the arguments more clearly for departments which are worried by this point.

In any case I believe with Paul Channon and George Younger that all the questions in the most recent correspondence require further examination and discussion at official level. As you know, a multi-department review of the management of civil accommodation by departments has now started, co-ordinated by my officials. The central report from this review should be available next Spring. Evidence may well come out of this which we ought to take into account before reaching final decisions. We have agreed, for example, that individually assessed rents will not be introduced until 1986/87, so there is time to consider the details of the system further.

All these matters are also proper to the official level inter-departmental committee on PRS. I feel they might be



fruitfully discussed in that forum before we take the present correspondence any further.

On a point of detail in George Younger's letter, my understanding is that PSA intend to review assessed rents on a rolling basis every five years, so that only 20% of buildings will be reassessed each year. Can you confirm this?

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

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*9/11*

LORD GOWRIE



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Rayner.





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**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**  
Alexander Fleming House, Elephant & Castle, London SE1 6BY  
Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1

*Peter Rees*

*not pm.  
Date 24/9  
September 10*

DEVELOPMENT OF THE PRS SYSTEM

I have seen Patrick Jenkin's letter of 2 August to you and the replies from Paul Channon, George Younger and Grey Gowrie.

I can see that the balance of advantage lies in getting as close to market rents as possible - because this makes Departments more conscious of true costs. If this system were adopted, however, I would wish to be assured that any consequential increase in our payments under PRS would be fully reflected in a PES transfer. And while I agree with Patrick Jenkin that we do not want any very formal procedure for challenge and arbitration, I would hope that market rents would not be set by PSA without any opportunity for Departments to query figures that seem unreasonable.

If Departments were given more control of decisions on what work should be done, that would go some way to resolving the difficulties over Departments knowing how maintenance money is spent, but I would not welcome any arrangement which asks Departments to pick up the bill for expenditure determined between the PSA and the Treasury without any reference to Departments and in isolation from the question of funding the expenditure.

While I welcome the possibility of local discussion helping in the formulation of a three year programme, there is still a need for central consultation on the overall charges and programme. In the end, Departments are to be charged and it does not help that the PRS arrangements leave Departments no option but to pay and yet have very little say in how the money is allocated or information on what is actually spent.

It seems essential that officials from client Departments should join in the discussions which lead up to the three year programme and to any additional commitment Departments may be asked to accept.

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

*Yours etc.*

*Norman Fowler*  
NORMAN FOWLER



*Handwritten signature*

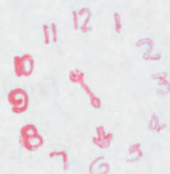
24 SEP 1984

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Washington, D.C. 20535

Telephone (202) 452-4000



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2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

8 October 1984

Dear Grey,

W  
9/10

DEVELOPMENT OF THE PRS SYSTEM

Thank you for your letter of 6 September, commenting on my letter of 2 August to Peter Rees. Since I wrote, there have also been letters from Paul Channon, George Younger, Norman Fowler and Tom King.

I agree with you that officials need to consider further a number of the issues arising from this correspondence, and the fact that we are not contemplating significant changes in the PRS arrangements until 1986-87 will allow time for this. The Inter-Departmental Committee on PRS will be meeting as soon as possible to pursue outstanding points, though membership of this is, as you know, confined to a few major "customer" departments, and other departments will need to be consulted on the wider issues involved.

On the specific question of rents, you suggested that Peter Rees and I might set out the arguments more clearly for those departments which continue to be concerned about the change to individually assessed market rents. The first point I would make is that, in line with Derek Rayner's recommendations, the PRS arrangements were set up on the basis of market, rather than actual, rents, and Departments were funded accordingly. (PSA's net PES provision does of course take account of the excess of rent receipts over rents actually paid out.) All that is envisaged is that from 1986-87 rents will be assessed on the basis of individual buildings rather than on the basis of regional averages. As Norman Fowler recognises in his letter to Peter Rees of 19 September, market rents are necessary to make departments aware of the full opportunity cost of the accommodation they occupy. Charging actual rents in payment for leasehold properties, where these are below current market levels because of long leases, would distort decisions about the use of accommodation and lead to uneconomical use of the estate. It would be necessary in any event to continue to assess market rents for Crown buildings. The use of actual rents for leased buildings would, therefore, introduce anomalies as between Crown and leased buildings. It would clearly be a nonsense if Departments were required to pay less for a leased building than a comparable Crown building.

I can confirm your understanding that, once individual market rents are in operation, PSA's intention is to review assessed rents on a rolling basis every 5 years, so that only 20% of buildings will be



re-assessed each year. As to the validity of PSA's assessments, my view remains that formal procedures for challenge and arbitration would not be justified. But I take Norman Fowler's point that Departments should have an opportunity to query figures that seem unreasonable, and I see no difficulty about arranging this where necessary through the channels of communication which already exist between PSA and occupying Departments.

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

*Yours ever  
Patrick*

PATRICK JENKIN



Pages 18/16



CC NO



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1

WBM  
J

9 October 1984

DEVELOPMENT OF THE PRS SYSTEM

I have seen recent contributions to the correspondence on this subject and would just like to register my agreement with a point made by a number of colleagues and most recently by Norman Fowler in his letter of 19 September viz the assessment of market rents.

I agree with Patrick Jenkin that it would be wrong to set up any heavy bureaucratic procedures for the purpose but I do feel that there should be some opportunity for a Department to question any figures set by PSA that do not seem reasonable. This is no doubt a point which can be followed up in the further discussions at official level to which Grey Gowrie refers.

I am sending a copy of this letter of the Prime Minister, members of the Cabinet, other Ministers in charge of Departments and to Sir Robert Armstrong and Sir Robin Ibbs.

MICHAEL JOPLING



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