



Chancellor of the Duchy of Lancaster

PRIME MINISTER

MULTI DEPARTMENT REVIEW OF OFFICE ACCOMMODATION MANAGEMENT

--- I attach my report on this review together with the more detailed report of the central team based in Cabinet Office (MPO).

I believe the reports are important. They identify potential savings of up to £50 million a year. They also draw attention to the need for improvements in maintenance and in the working environment, which is a poor advertisement for Government and bad for the morale of the civil servants. (We thus seem to be getting the worst of both worlds - lavish use of space while at the same time providing a bad working environment for our staff.) The reports demonstrate how departments can improve their management of accommodation within the overall framework of control of running costs. In addition they provide useful insights into the roles of line managers, accommodation managers and PSA which will be of help in our deliberations on the future relationships between departments and PSA. The comments of the central team on the development of the Property Repayment Service (PRS) will help consideration of Patrick Jenkin's proposals on this issue, which was the subject of your Private Secretary's letter of 20 May.

Background

In July last year you agreed that the 1984 Efficiency Programme should include a Multi Department Review of departmental office accommodation management. Scrutinies were carried out in eight departments and the review was coordinated by a central team in MPO with additional members from PSA, Treasury and the private sector (the Prudential Assurance Company). The examining officers in departments and the central team have done a thorough job.

Handling

I commend the central team's report to you. I believe it provides a firm basis for achieving a much needed improvement in the way departments manage their accommodation as well as opening the way to potentially large savings.

As a next step, I recommend that you welcome the report and ask Ministers in charge of departments to draw up plans for action on the report's recommendations within three months. Subject to your approval, I suggest that these action documents be submitted to me and that MPO co-ordinate the follow-up to the review in consultation with Treasury and PSA and prepare a progress report for you in 12 months (in line with recommendation 26 of the central team's report). I

should perhaps add, in view of the Efficiency Unit's recent report to you on the implementation of scrutinies, that the central team believe a 3 year implementation period is needed because of the long lead times involved in accommodation matters.

I also recommend that the central team's report be published. This is normal practice with reviews and is a useful stimulus to action by departments. It also makes consultation with the unions - which we are obliged to undertake - easier and avoids the possibility of leaks. If you agree, I would prepare a preface welcoming the report and setting out how we see progress being made.

I would be grateful for your approval of the reports and your agreement

- to commissioning action documents from all Government departments; and
- to publish the central team's report, *which is proposed*

I am copying this minute and enclosures to Peter Rees and Patrick Jenkin and to those Ministers who supervised the departmental scrutinies - Peter Walker (Energy), Tom King (Employment), Barney Hayhoe (Customs and Excise), John Moore (Inland Revenue), John Butcher (DTI), Michael Spicer (Transport), Rodney Elton (Environment) and Jean Trumpington (DHSS). Copies also go to Sir Robert Armstrong and Sir Robin Ibbs.

h.c.b.

9

GOWRIE
20 June 1985

MANAGEMENT OF OFFICE ACCOMMODATION IN GOVERNMENT

REPORT BY LORD GOWRIE

In the last few years there have been major changes in the management of government departments to improve value for money and bring running costs under control. Civil departments spend £850 million a year on office accommodation and it represents the largest element of running costs after pay (15.5% of the total for civil departments). Yet accommodation costs have often received less attention than other running costs. This report shows briefly how Government departments should manage accommodation to get full value from an important resource and to contribute to bringing down the cost of government. It is based on the findings of a multi-department review co-ordinated by a team of officials located in Cabinet Office (MPO), a copy of which is attached.

Immediate Action

Government offices cover 6.6 million sq.m. of floor space in over 4500 buildings - an estate larger than any private sector company's. The review found that 5-10% of this space could be given up over the next three years, yielding savings of up to £50 million a year by reduced rents, rates and maintenance.

But the picture is not uniform. In some parts of some departments (particularly Department of Employment) there is still overcrowding. And many Government buildings are drab and unprepossessing. This can damage the Government's image and the morale of civil servants. However, the review's findings on the use of space in departments confirm that the first task is to cut out the waste of space.

Long term reforms

To achieve better use of accommodation, however, improvements in management are needed. The Property Repayment System was introduced in order to bring home to departments the cost of accommodation and can be developed to do this better. But departments must ensure that their internal scrutiny and budgeting systems allow for line managers to be fully aware of and responsible for accommodation resources they consume, including excess space.

Annual budgeting should flow from medium and longer term planning. Accommodation, the second biggest item in departmental running costs, is particularly inflexible. There is a long lead time for both acquisitions and disposals. Accommodation managers should consider the accommodation consequences of proposals with their initiators. They should develop strategies to be tied in with overall departmental strategic planning. All major accommodation decisions need full investment appraisal

To back up planning and budgeting, departments need effective information systems for accommodation. They need to collect, through regular surveys, details of the use of space. This information must be used to promote action to release spare space or, where necessary, take on more.

Most importantly, accommodation managers and line managers alike need clear statements of their respective roles and responsibilities. They should agree upon the service accommodation managers will aim to provide. Accommodation managers should be selected and trained for a more positive role. They should, for instance, plan preventive maintenance or energy conservation measures and not merely react to emergencies.

Similarly, the respective roles and responsibilities of PSA and departmental accommodation managers need to be clear.

A formal statement should be set out and agreed, backed up by service agreements at local level. There should also be regular liaison meetings to improve the exchange of information and develop joint planning. Departments should be fully involved in discussions on further development of the PRS system, through an enlarged and more representative inter-departmental Committee. The Committee will no doubt wish to look at the central team's discussions of

- the £1000 limit for delegated minor works;
- how PSA charges for maintenance work; and
- where financial responsibility for new works should lie.

New Priorities

Above all, government needs to look again at its priorities on accommodation. Rent and rates form a much greater proportion of costs than maintenance but civil servants occupy larger offices than they need. At the same time offices are both under-maintained and drab. They create a poor impression on visitors and staff alike. Neglected maintenance is reducing the value of the estate and storing up additional costs for the future. The private sector tends to use less space but provides staff with a better working environment. Savings in space could help finance higher standards of maintenance and decoration without any increase in overall costs.

Accommodation is an expensive resource. Let us make the best use of it if we can.