

PRIME MINISTER

RICHMOND YARD

The meeting on the future of Richmond Yard has had to be delayed until the Foreign Secretary returns from South Africa. It will now be held after Cabinet on Thursday. Ministers attending are the Foreign Secretary, the Secretaries of State for Health and Social Services and Education, and the Chief Secretary. Sir Robert Armstrong and the Permanent Secretary, PSA (Mr. Manzie) will also attend.

Sir Robert's minute below (Flag A), which summarises Sir George Young's paper, (Flag B) suggests, in paragraph 6, a sort of 'compromise' for the future of Richmond Yard. This would:

- move 600 ODA staff into Richmond Yard;
- send about 80 somewhere else (perhaps Elizabeth House or East Kilbride);
- move DES Ministers and top policy advisers into Richmond Yard;
- allow DHSS to use Ergon House (part of the ICI complex).

This of course does have an advantage of bringing DES and DHSS Ministers nearer to Whitehall, but it has the disadvantage of allowing at least some ODA staff to move into Richmond Yard and of separating the DES 'chiefs' from the 'indians' who will remain in Elizabeth House.

Would you like this option to be explored further with departments before the meeting, on a no-commitment basis?

N.L.W.

N L WICKS
25 July 1986
SLH/91

I think it is absurd to move ODA into a Whitehall position. DHSS are better to move into the old Home Office. The modernisation when DHSS are better to move into the old Home Office. DHSS are better to move into the old Home Office. DHSS are better to move into the old Home Office.

What is going to happen to the old Home Office? The modernisation when DHSS are better to move into the old Home Office. DHSS are better to move into the old Home Office. DHSS are better to move into the old Home Office.

of sending other people out



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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG, G.C.B., C.V.O

CABINET OFFICE

RICHMOND YARD

The Prime Minister saw over the weekend your minute of 24 July, together with the paper prepared by the Department of the Environment, for the meeting on Thursday 31 July. You may wish to have the Prime Minister's preliminary reactions to these papers.

She has reiterated that she believes it absurd to move ODA into a prime Whitehall position when DES and DHSS are treated so badly for accommodation. She has emphasised that she never intended ODA to move into Richmond Yard. It makes no overall sense except on the grounds of a search for prestige.

The Prime Minister has asked about the future use of the old Home Office. She believes that the modernisation of the Foreign Office is proving most extravagant in the amount of Central London office space which is being sterilized.

B.F. / I am not copying this minute to the other Departments concerned, but I should be grateful if you could let the Prime Minister have a note before Thursday's meeting answering her question about the use of the old Home Office building and the cost of modernising the FCO building.

N. L. WICKS
28 July 1986

DS

Ref. A086/2163

MR WICKS

Richmond Yard

The Prime Minister will be receiving a minute from the Parliamentary Under Secretary of State, Department of the Environment, in pursuance of the request in the last paragraph but one of your minute of 19 June.

2. Briefly, it will say:

a. Anything other than going ahead with the present plan will cost more money, for which there is no provision in present public expenditure totals.

b. The cheapest option is to move the Department of Education and Science (DES) Ministers and most policy staff to Richmond Yard and the Overseas Development Administration (ODA) to fill the space thus vacated in Elizabeth House. Cost: net present value of some £3-4 million.

c. Other options are to make the Department of Health and Social Security (DHSS) the main occupant of Richmond Yard or for DES and DHSS core staff to share occupancy of Richmond Yard. On either of these options Eland House (where ODA is at present situated) would have to be retained. Cost: net present value £25-30 million.

d. Other accommodation north of the river for the DHSS is likely to become available in mid-1988 in Ergon House in Horseferry Road (part of the ICI complex).

3. I understand that the Chief Secretary would be advised to take the line that the extra funding costs should be borne by Departments wishing to press for the change within their existing PES baselines; he would not be disposed to allow additional money either from the Reserve or, in subsequent years, in additional Survey bids.

4. The PSA want to move the ODA out of Eland House into Richmond Yard because Eland House is leased and Richmond Yard is Government freehold. They will save the rent of Eland House. ODA will of course in any case have to pay a rent to PSA, whether they are at Eland House or Richmond Yard, and I am told that the rent would be the same in either place.

5. There is a short-term advantage in terms of efficiency in getting the ODA closer to the Foreign and Commonwealth Office (FCO). It becomes easier for the Foreign and Commonwealth Secretary to keep a close eye on the ODA's policies and activities. There would be some economies in that the ODA would be able to share most of the FCO's common facilities, especially information handling. In the longer terms getting the ODA closer to the FCO could well lead to integration of ODA policy divisions with FCO policy divisions: the part of ODA that would be separate would then be reduced to something like the old Department of Technical Co-operation.

6. I think that there is a compromise which would enable the ODA to get out of Eland House, and would still put the "top hamper" of the DES into Richmond Yard, leaving the DHSS to move into Ergon House in due course. This would be for the ODA to move only about 600 staff into Richmond Yard, sending about 80 somewhere else (Elizabeth House, or possibly East Kilbride); to move Ministers and top policy advisers in the DES from Elizabeth House to Richmond Yard (about 60 people); and to allow the DHSS to use Ergon House when it becomes available (which is likely to be not very much later than Richmond Yard). If this were

possible, the cost might well be no more than £1-2 million, because the rent of Eland House would be saved and the alterations to Richmond Yard would be minimal. But I think that the DES would be less than happy with it: it would separate Deputy Secretaries from their Under Secretaries and the Senior Chief Inspector from his Chief Inspectors, and add hugely to expenditure, time and energy transferring people and papers between Richmond Yard and Elizabeth House.

RA

ROBERT ARMSTRONG

24 July 1986

RTAAAK

Covering MANAGEMENT IN CONFIDENCE



DEPARTMENT OF THE ENVIRONMENT
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My ref:

Your ref:

PRIME MINISTER

25 July 1986

RICHMOND YARD

Following your meeting on 19 June officials have had further discussions about the options and costs for the use of the Richmond Yard building and I attach a paper for your meeting on 31 July with the Ministers concerned.

I am sending copies of the paper to Geoffrey Howe, Norman Fowler, Kenneth Baker, John MacGregor, Robert Armstrong and Gordon Manzie.

G. Y.

GEORGE YOUNG

Covering MANAGEMENT IN CONFIDENCE

RICHMOND YARD: FUTURE OCCUPANCY

Note by the Parliamentary Under Secretary of State, Department of the Environment.

1. The Prime Minister discussed the future occupancy of this new development in Whitehall at a meeting on 19 June. Mr Wicks' minute of this discussion records that she said that "she had never been asked to confirm that ODA should occupy the Richmond Yard building and there was a strong case for moving other Departments into that prime site"; for example, DES could move there and ODA move to DES's Elizabeth House. The Prime Minister asked for a paper to be prepared quickly, setting out the full options and costs of the Richmond Yard building for further discussion with Ministers.

2. There are two separate issues arising from this discussion. For the future, the Prime Minister has already referred to the need for taking decisions on the allocation of prime sites on the Government estate within the proper Ministerial Committee. Sir Robert Armstrong will look at the need for machinery for dealing with priorities in the allocation of space in Whitehall. Meanwhile there is an immediate requirement for a final decision, as quickly as possible, on the occupancy of the new buildings which are now nearing completion in Richmond Yard and the adjacent Parliament Street/Whitehall frontage. This note considers the present plan and three possible alternatives.

Present Plan

3. The present plan envisages ODA moving to Richmond Yard from Eland House, the lease of which would then be relinquished at the earliest break-point, which is now 18 months from the service of notice on the landlord, yielding immediate

savings to the Exchequer of some £4m pa in rent payments to the landlord, and rates and running costs on this building. Under the PRS arrangements ODA would continue to pay PSA the assessed market rent, and accommodation charges, on Richmond Yard. From their point of view there would thus be no perceived savings from relinquishing Eland House, the charges amounting to broadly the same totals.

Property
Repayment
System

4. Other minor holdings are planned in the parts of the building fronting onto Richmond Terrace and Parliament Street, giving an overall occupation as follows:-

	<u>Sq Ft</u>	<u>Numbers of Staff</u>
ODA	141,500	670
Cabinet Office/Downing St	14,000	44
Welsh Office	3,000	10
2 Retail Shops	1,500	-

5. Different layouts in a building are required to meet the operational needs of different kinds of staff. For example, Ministers and Permanent Secretaries, with their supporting Private Offices and immediate back-up services call for a different configuration of rooms from the supporting Civil Service policy groups; and executive and clerical units, and computer units again have different requirements. Partitioning, power supplies and other services for Richmond Yard have been designed to suit the particular requirements of the above occupants, and are included in the construction programme which envisages the building being ready for occupation by mid-1987. The present plans for ODA include provision for their Minister of State and his Private Office. Any change of occupancy at this stage, with a requirement to house a larger number of Ministers, would give rise to delay whilst replanning to accommodate the occupants' different requirements; and there would be extra costs. The precise delay and additional cost would depend on the option chosen and the time taken for the new occupants

to detail their requirements. With the development already largely designed and constructed only minor alterations can be catered for without serious cost consequences.

The alternatives

6. The cheapest alternative option, taking a longer term view of the costs, would be one that enabled the lease on Eland House to be relinquished as soon as possible after the break clause in the lease comes into operation. Any solution requiring the continued retention of the Eland House lease beyond December 1987 in addition to the new freehold facility in Richmond Yard will inevitably be costly, reflecting the continued commitment to rent, rates and other charges of some £4m pa on Eland House. The additional costs of the alternative options, over and above the present plan, are indicated below.

Option 1

DES Ministers and most policy staff (about half the total currently housed in Elizabeth House) move to Richmond Yard; and ODA move to fill the vacant space in Elizabeth House. The lease on Eland House is relinquished, enabling the main savings from the present plan to be retained. The total additional costs over and above the present plan, including liability for rent and rates from extended occupation of Eland House whilst refitting Richmond Yard and Elizabeth House was being carried out, could have a nett present value of some £3 - 4m.

Option 2

DES and DHSS Ministers and core staffs to share occupancy of Richmond Yard, taking (say) equal shares of 70,000 sq ft. There would be insufficient space left in either Elizabeth House or Alexander Fleming House to accommodate ODA's staff from Eland House. ODA would stay in Eland House until final lease expiry in 1992, then moving to a new hiring.

The additional cost of this option, which reflects the recurring rent payments to the landlords on Eland House and a subsequent new hiring, would have a nett present value (discounted over 25 years at 5%) of some £25 - 30m. The n.p.v. would be broadly the same if ODA's Minister and core staff were also to be included in Richmond Yard.

Option 3

DHSS to be the main occupant of Richmond Yard, the space vacated in Alexander Fleming House being filled in by other DHSS HQ staff currently outhoused elsewhere in central London. ODA to stay in Eland House and a subsequent new hiring, as in Option 2. DES remains in Elizabeth House. Additional costs: nett present value £25 - 30m.

Separate accommodation for DHSS North of the River

7. The above options relate solely to the Richmond Yard development. One current possibility for providing accommodation for DHSS north of the river independently of Richmond Yard would be Ergon House in Horseferry Road. This building forms part of the complex currently being developed by ICI adjacent to their own HQ in Imperial Chemical House on Millbank. ICI had earlier proposed selling their entire freeholding in this area (comprising IC House, Thames House North and South) to the Government. The Prime Minister agreed on 26 August 1983 that officials should open talks with ICI about the purchase, without any commitment on the Government's part.

8. Discussions proceeded with ICI on the basis that the Department of Energy would occupy Imperial Chemical House. The Secretary of State for Social Services expressed at the time a strong interest in the provision of space for Ministerial offices and a core staff in one of these buildings.

In the event ICI decided not to proceed with the sale. Instead, they are retaining IC House for their own HQ, and marketing the other part, together with the development of the adjacent former LEB generating station in Ergon House, part of which will be available as offices. Negotiations with ICI are currently in train with a view to taking a lease on these two linked buildings for MAFF staff on termination of the lease on Great Westminster House. Space could be provided for DHSS in Ergon House, available mid-1988, requiring a block of MAFF staff to be housed elsewhere.

9. The costs of this solution for DHSS would be quite independent of Richmond Yard. The nett amount would depend partly on the consequential chain of moves within DHSS to fill the space left vacant in Alexander Fleming House, and what accommodation might eventually be relinquished from the estate, and where; and partly on whether and where the displaced MAFF staff could be housed elsewhere on the existing Government estate, or if a new hiring was necessary. There would be some short term costs for ingoing services which might in total amount to £2.5 - 3.5m. The longer term costs would depend largely on whether a new hiring was eventually necessary and where - the nett present value could thus be within a wide range of perhaps £2.5 - 12m.

Summary of Costs

10. The present plan, which is provided for in the current financial provision, is favoured by Treasury and FCO/ODA. The additional costs over and above the present plan of the other options are summarised over the page.

<u>Option</u>	<u>Additional Costs Over Present Plan</u>		<u>Long-Term Costs</u> <u>n.p.v.</u> <u>(discounted at</u> <u>5% over 25 yrs)</u>
	<u>Short-Term</u> <u>Cash Expenditure</u>		
	<u>1987/8</u>	<u>1988/9</u>	
<u>Present Plan</u> ODA to Richmond Yard. Eland House relinquished December 1987.	-	-	-
<u>Option 1</u> Half of DES to Richmond Yard. ODA to Elizabeth House. Eland House relinquished March 1988.	£3-4m	-	£3-4m
<u>Option 2</u> DES and DHSS Ministers and core staff to Richmond Yard.	£3-4m	£3-4m	£25-30m
<u>Option 3</u> Part of DHSS to Richmond Yard. Other DHSS staff consolidate to use vacant space in Alexander Fleming House. ODA remain in Eland House as in Option 2. DES remain in Elizabeth House	£3-4m	£4-5m	£25-30m.

11. There is currently financial provision only for the present plan. The Treasury take the view that additional funds for any alternative scheme should be provided from the existing budgets of the departments at whose request changes to the present plan had been made. Some changes in the planned layout will, of course, be essential for operational purposes, for example to accommodate different numbers of Ministers and their immediate back-up services. But any changes beyond the essential at this late stage in the construction contract could impose long and very costly delays.