



*Civil Service file*

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MO 10

13th May 1983

*NBPM*

*M/S 73/5*

Thank you for sending me a copy of your recent minute to the Prime Minister about re-structuring within the Property Services Agency.

I confirm your understanding that MOD welcomes your proposals. But there will no doubt be details to be cleared up in discussion between our officials.

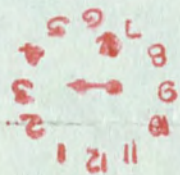
*2.14.1983*  
I am copying this to the Prime Minister.

*Yours ever*

Michael Heseltine

The Rt Hon Tom King MP

Civil Service  
Long Term P712



13 MAY 1983



FILE

107

10 DOWNING STREET

*From the Private Secretary*

3 May, 1983

The Prime Minister has now seen your Secretary of State's minute about Restructuring the Property Services Agency. She has commented that the proposal to reduce the number of tiers in the territorial organisation from three to two seems in principle to make sense. Under the present arrangements the region or the area must surely be a rubber stamp. The Prime Minister is not, however, entirely convinced of the case for a dedication of the resultant territorial organisation. For example, she wonders whether that portion of the civil estate which has no alternative use has more in common with that portion of the Ministry of Defence estate which similarly has no alternative use than it does with the rest of the civil estate. Moreover she thinks that civil clients are right to be apprehensive that their dedicated service will be less effective than that to defence clients.

The Prime Minister has agreed that as proposed by your Secretary of State the Property Services Agency should now be asked to examine the proposals set out in his minute. Before any decision is reached, however, she would wish to be consulted again and particularly on the points raised in this letter.

(Timothy Flesher)

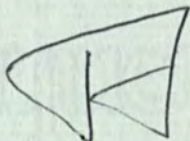
Mrs. H. Ghosh,  
Department of the Environment

Lo

PRIME MINISTERPROPERTY SERVICES AGENCY

I attach David Wolfson's advice on the attached minute from Tom King on the Property Services Agency (Flag B). David's advice is at Flag A. Do you agree that I should minute Mr. King on your behalf along the lines proposed by David?

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26 April, 1983

Yes please  
not

TIM FLESCHER

25th April, 1983

RESTRUCTURING WITHIN THE PROPERTY SERVICE AGENCY

1. Two tiers, rather than three, seems, in principle, to make sense. Rather like the Health Service, it is difficult to see what work there is for a third tier. 155 or 175 district organisation offices should be satisfactorily controlled by 15 to 20 regional offices. The present arrangements must make either the regions or the areas rubber stamps.
  
2. The dedication of resultant territorial organisations would, in my opinion, need some justification. (Is the justification, as in the Health Service re-organisation, that it will provide enough jobs to make the whole thing less painful than a proper re-organisation?).  
\* 20% of the civil estate has no alternative use and would possibly have to be treated in the same way as the 80% of the defence estate, which has no alternative use. Likewise, with the other 80% and 20% respectively. Therefore, each part of the dedicated territorial organisation will have to deal with both saleable and unsaleable property estate. If they are dealing with both types of problem why do you need two separate organisations? There may be a good reason but it is not evident in the submission.

\* ANNEXE A TO M.H. letter of 22.7.82

DW  
David Wolfson

P.S. IF M.O.D. is 2/3 of TOTAL, CIVIL CLIENTS ARE RIGHT TO WORRY THAT THEIR "DEDICATED" ORGANIZATION WILL GET LESS EFFECTIVE SERVICE.

B

Prime Minister:

1 ~~Z~~



This is much more cautious than Mr Heseltine's proposal for a Trading Fund. Shall I ask for David Woltsans advice?

PRIME MINISTER

*Yes please*

RESTRUCTURING WITHIN THE PROPERTY SERVICES AGENCY

JH

22/4

PK10

Michael Heseltine wrote to you on two occasions last year (22 July and 9 September) about proposals for reorganisation within the PSA, which would have implications for other Departments. He undertook to report again following further study and consultations at official level.

The further work has suggested some modifications to the proposals which are now based on a more evolutionary approach to the development of a Civil Property Directorate within the Agency (building on PRS), and concentrating more immediately on the reorganisation of the United Kingdom Territorial Organisation (the network of Regional Offices, Area Offices and District Works Offices throughout the country) with a view to greater efficiency.

Following an examination of a number of options, I have now asked my officials within PSA to look at a particular set of proposals. These are set out in more detail in the Annex to this minute, but in brief consist of:

- a. a reduction in the number of tiers in the territorial organisation from three to two; and
- b. the division of the resultant territorial organisation into two parts, one serving Defence clients, the other the Civil clients. (At the moment the organisation is not "dedicated" in this sense).

*Do we need to do?*



Both the Civil and Defence elements would continue to rely on the private sector for all new construction, some 80% of maintenance work, and an increasing volume of design work.

As far as the proposal for a Civil Property Directorate is concerned, I am now minded to see how PRS develops, and meanwhile undertake an internal reorganisation to facilitate better financial management based on more "commercial" disciplines and accounting systems, but which will not affect client Departments. This might ultimately lead to the establishment of a Civil Property Division with a Trading Fund, but that is a decision for the future.

I understand that MOD (who account for two-thirds of PSA's workload) welcome the proposals which will improve efficiency by shortening lines of communication. At this stage civil clients have expressed some concern that the current level of service they receive will deteriorate. The new arrangements would be intended to enhance both the levels and quality of service provided to the Civil and Defence clients alike - there would be no question of accepting a proposal that would reduce the level of service to any client, but this is an issue that can be explored in further discussions with Departments.

On this understanding, therefore, I have asked PSA to examine the proposals in detail in consultation with client and central Departments with a view to possible implementation by 1 April 1984.

TK

April 1983

## PSA RESTRUCTURING

Civil Property

In the light of comments from Departments and further work within PSA it is now proposed that development in the Civil property area should be an evolutionary one based on the following steps:

- i. Implement PRS as now planned. This started in April 1983.
- ii. Extend PRS. We would seek to expand PRS as soon as possible to enable Departments to be more aware of and more able to control, their accommodation costs. The Treasury has asked us to set up an inter-departmental working party to take this forward with recommendations, some of which may be applied from April 1984.
- iii. Restructuring within PSA to produce a Civil Property Directorate. This would tie in with extended PRS, bring together responsibility for estate management and maintenance and would enable PSA to develop internal commercial style accounts and a balance sheet.
- iv. The question of further development into a Property Division with a Trading Fund would remain open. Such a course, if it were subsequently felt to be desirable, would then be much simpler to contemplate but it would not arise for a minimum of 4 years from 1983.



As evidence of the working of PRS comes in the Working Party referred to in (ii) should start monitoring progress and problems.

### Territorial Organisation

The present territorial structure of PSA has three tiers - 10 Regional Headquarters, 34 Area Offices and 155 District Works Offices. And all of these offices serve all clients, Civil and Defence, within their territories.

Two changes now proposed and to be subject to further examination are:

- i. Merging the Regional and Area Offices into a single "controlling tier", thus reducing the number of tiers from three to two, with the number and level of offices to be yet determined.
- ii. Dividing the regional structure into two parts, one serving Defence clients and the other Civil clients.

In working up the detailed proposals over the next few months we shall of course take account of the different interests that arise in Scotland and Wales; and when determining the precise size, shape and location of the future organisations we shall tailor them as closely as we can to the needs of main Civil or Defence clients.

Eliminating one tier of the existing structure may require some offices to close but the number should be relatively

small (perhaps 6 locations out of 39 may have closures) and there could well be some choice on both locations and timing. The network of District Works Offices which is responsible for 85% of the day-to-day load and relates directly to the occupants and users of the two estates should not be significantly affected. Indeed, the proposals envisage some strengthening at this level.

The geographical pattern of our current workload would leave a small proportion of work not being carried out within the appropriate client stream. <sup>However,</sup> Civil clients, who are the main ones in this category, will be consulted to ensure that their operational needs are fully met.

Both the Civil and Defence elements would integrate estates management, works and design activities and hence provide a single line responsibility in relation to each client.

The proposals will also affect numbers of our non-industrial staff - perhaps 700 in all. Some of these will transfer to other PSA locations or to other government offices. The net effect may be a reduction of around 300 territorial posts - possibly more - out of the 3,400 in the relevant parts of the present organisation.

Constituency Members are likely to become involved in the consequential of these changes; and we shall clearly need to be alert to the sensitivities of particular cases which could well be exacerbated by the PSA Trade Union Side, who remain opposed to all the changes.

The proposals will be examined in conjunction with both the central and client departments, against a timetable which would produce a detailed plan in September and therefore allow for implementation to start on 1 April 1984.

19.4.83

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Pt 12.