

## 10 DOWNING STREET

Tim.

Impossible to evaluate proposal without talking to whoever is responsible for it!

The savings seem meagre, less than 10% of those employed. Is this because we don't want to cause trouble? In other words, is this the best reorganization we could do, or are we fudging the real issue of reducing functions?

They mention Land Securities, Britain's largest property Company. I think they employ about ~~400~~ \* people for their £2Billion estate!

David.Wolfson. DW

↘ 250 ADMIN + CLERICAL  
150 PROPERTY MANAGEMENT.



10 DOWNING STREET

David Wilson

I would value

your advice on the attached.

If all possible, I should  
like to show these papers  
to the PM at the weekend.





PRIME MINISTER

REORGANISATION OF PSA

Further to Tom King's minute to you of 21 April and to the reply from your office of 3 May, I am writing to bring you up to date with the present position on the proposals for reorganisation within the PSA and to seek your agreement to the next step.

The proposals were:

- (a) to merge the Regional offices and the Areas into a single "controlling tier"; and
- (b) to split the resultant organisation into two, one handling in the main the Defence client and the other the Civil clients.

Preliminary studies on these proposals conclude that we should merge our present 10 Regional HQ offices and 32 Area Offices (excluding the special groups in London dealing with Museums, Galleries, the Palace of Wesminster, Buckingham Palace and other "specials") into 28 controlling tiers, 20 of which would be dedicated to Defence work and 8 to Civil work.

Overall the changes would involve the movement of several hundred staff (out of a total of 14,000) from their present job locations, and we must expect therefore continued Trade Union opposition. Net savings in staff would be of the order of 300 (about 10% of the 3,400 employed in the two tiers to be merged) and the costs of restructuring should be recovered in about three years; but the objective of course is the enhanced operating efficiency of the Agency. The main office changes (17 increases, 9 decreases and 5 closures) are indicated in the attachment. We have taken particular care in Wales and Scotland to reflect their special situation and I hope that





Nicholas Edwards and George Younger will be content with our proposals, details of which I have sent to them separately. Because of the scale of organisational change there is bound to be some short-term reduction in the quality of service to the clients, though we will do all we can to limit these. But in the medium to long term the removal of a whole tier of the organisation must clearly improve efficiency and, as I have suggested below, a dedicated service will be beneficial.

In your letter of 3 May you had two reservations which I believe are met by the following:

(i) as indicated above we are providing for those parts of the Civil estate that are "special" to be treated separately from those properties that can be adjudged to have an alternative use. Their treatment will be virtually unchanged from at present; and

(ii) the service to Civil clients will in the long term be maintained or enhanced because although the management of the two divisions of PSA will be "dedicated", we plan to continue to serve Civil clients from the Defence Directorate (and vice versa) for that 15 to 20% or so were there are good geographical reasons for doing so. With a civil estate of £6 bn. (three times the size of Land Securities, the largest private company) there should be no real question of diseconomies of small scale. There will also continue to be a PSA "civil" presence in all but one of the present Regional HQ locations.

I believe we should accept these proposals because in my view they are sound and will improve the efficiency of the Agency. Subject to your agreement therefore I propose to write to the Trade Union Side saying that I am minded to accept the recommendations of the Chief Executive and then



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allow them three months for consultation. If we are to meet the timescale I have in mind, i.e. to start the implementation on 1 April 1984, I need to write to the Trade Union Side in the next few days; it would be extremely helpful to know if you and colleagues are content before we all go away.

I am sending copies to Cabinet colleagues, the Chief Whip and to Sir Robert Armstrong.

PJ

PJ

28 July 1983

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## SUMMARY OF CHANGES

Increases	Significant Decreases	Small Decreases	Closures	No Change
Rosyth AWO	Edinburgh RHQ AEO	Glasgow AWO AEO	∅ Warrington AWO	N. Ireland AWO
Aberdeen AWO AEO	Leeds RHQ AWO AEO	Reading RHQ AEO	x Bournemouth AWO AEO	AEO
Newcastle AWO AEO	Haverfordwest AWO	Preston AWO AEO	Chatham AWO AEO	London (5)
York AWO	Colwyn Bay AWO AEO		Shorncliffe AWO (Folkstone)	
Manchester RHQ AEO	Bristol RHQ AWO AEO		∅ possible new DWO	
Cardiff RHQ AWO AEO	Birmingham RHQ AWO AEO		x possible retention small estates unit	
Plymouth AWO AEO	Hastings RHQ AEO			
Cheltenham AWO				
Bulford AWO (Salisbury Plain)				
Nottingham AWO AEO				
Shrewsbury AWO AEO				
Cambridge RHQ AWO AEO				
Newmarket AWO				
Colchester AWO				
Abington AWO AEO				
Aldershot AWO AEO				
Portsmouth AWO AEO				

TOTAL 17

TOTAL 7

TOTAL 2

TOTAL 5

TOTAL 6

AWO = Area Works Office

AEO = Area Estate Office

RHQ = Regional Headquarters

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PRIME MINISTER

PSA RESTRUCTURING

As an addition to the attached letter, there is one further point I would wish to make.

The proposed restructuring offers the prospect, in the medium term, of privatising the Civil part of the organisation. As a separate entity with commercial style accounts, as is now proposed, it will show a net balance sheet value of about £3 bn. If it were then turned into a company with a mixture of loan stock and equity, and if a majority of the equity were floated we could aim at raising perhaps £1 bn. But equally important it would impose a commercial discipline which I believe would lead to increased effectiveness in the utilisation of our Civil assets. The proposed restructuring stands on its own merits as providing a more cost effective and efficient organisation. As a first step to part-privatisation, which must be at least four years away, it has enhanced importance.

I need to get on with the changes now so that the first part of the implementation can start on 1 April 1984.

P J

28 July 1983

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2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

4 August 1983

*Dear Tim,*

REORGANISATION OF PSA

Thank you for your letter of 1 August. I am sorry that the Prime Minister felt unable to support at this stage my Secretary of State's proposals.

We are now seeking to arrange a meeting with the Ministers most concerned and we shall respond substantively to the Prime Minister's points after that.

*Yours sincerely  
Helen Ghosh*

MRS H F GHOSH  
Private Secretary

~~CONFIDENTIAL~~

Timothy Flesher Esq



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AUG 1983

11 12 1  
10 9 8  
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3 2

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JA  
4/c

Prime Minister

REORGANISATION OF PSA

Patrick Jenkin sent me a copy of his minute to you of 28 July.

The Home Office has been consulted about these proposals, but we have yet to see the details of the scheme now envisaged. We occupy a large number of office, storage and specialised properties throughout the United Kingdom and conduct a good deal of business through the existing regional, area and district representatives of the PSA. Officials here are apprehensive that the proposed new arrangements will lead to some deterioration in service. On this score Patrick Jenkin's reference to the inevitability of "some short-term reduction in the quality of service to the clients" is not very reassuring.

I appreciate that Patrick Jenkin would like to go ahead with these proposals, not least because of the staff savings. But we scarcely have enough information on which to form a considered judgment on the balance between savings and likely effects of the proposals on the PSA's clients. I therefore welcome your suggestion that Patrick Jenkin should discuss his proposals with Ministers most concerned.

I am copying this minute to other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

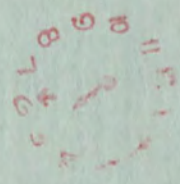
L.B

4 August 1983

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Civil Service,  
Long Term,  
Pt 13



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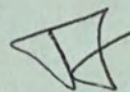


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Civil Service



Prime Minister

  
3/8

REORGANISATION OF THE PSA

I refer to Patrick Jenkin's minute of 28 July.

I am content that Patrick should proceed with his proposals for restructuring of PSA given the assurances he has provided about the quality of service to civil clients. There is a phrase in his minute about reduction in the quality of service while these plans are being implemented. I am clearly not happy to accept this, and we obviously look to PSA management to meet this challenge without serious inconvenience to their customers. It would be most unfortunate if organisational changes in pursuit of efficiency were held up as a result of PSA's inability to provide the right accommodation at the right time.

I am copying to Cabinet colleagues, the Chief Whip and Sir Robert Armstrong.

TOM KING

2 August 1983

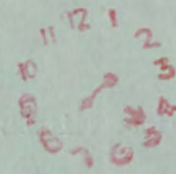
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Civil Service  
Long Term  
Pt 13



-2 AUG 1963



[The body of the document contains several paragraphs of text that are extremely faint and difficult to read. The text appears to be a formal letter or report, possibly related to the 'Civil Service Long Term Pt 13' mentioned in the handwritten notes. The layout includes a header area, a main body with multiple paragraphs, and a footer area. The overall appearance is that of an official document from the mid-1960s.]





Mr. W. 4/8 2  
 Prime Minister  
 JA  
 2/8

Ref. A083/2384

MR BUTLER

Reorganisation of PSA

The minute which the Secretary of State for the Environment sent to the Prime Minister on 28 July sought her agreement to his consulting the trade unions about his plans for reorganising the Agency's civil and defence services. The Prime Minister has now endorsed a minute from the Chief Secretary asking that he and other colleagues should be given an opportunity properly to consider the plans before final decisions are taken.

2. I would very much support the Chief Secretary. The Prime Minister has already seen the basic proposals - the elimination of one of PSA's regional tiers and the dedication of the remaining organisation between civil and defence clients. The first looks broadly sensible and should produce greater efficiency. But the case for the second is far from clear, and the doubts which have been expressed about its cost effectiveness need more thorough consideration than they are given in the Secretary of State's minute.

3. I am suggesting to the Department of the Environment that the Secretary of State might be asked to arrange for the preparation of a detailed paper on his proposals which would set out the case for change, consider the costs and benefits of client dedication in terms both of client departments and of the PSA itself, and compare these with the alternative of no dedication. The paper, which could take account of further consultations with client departments, might be prepared in collaboration with the Prime Minister's Efficiency Unit and with the Treasury and the Cabinet Office. A meeting of Ministers could be arranged to discuss the paper in the autumn.

4. The Secretary of State may argue that such a proposal would put at risk his proposed start date for implementation of 1 April next year. That is probably right. The timetable is already very tight. But it is more important that time should be spent now in agreeing the best basis for what is by any standards a major reorganisation, than a few months saved on implementation.

2 August 1983

RA

ROBERT ARMSTRONG



CONFIDENTIAL

FLV FMV



10 DOWNING STREET

From the Private Secretary

1 August 1983

cc: Ho  
 LCO  
 HMT  
 FCO  
 DES  
 MOD  
 DoE  
 NIO  
 WO  
 MAFF  
 WO  
 DTI  
 LPSO.  
 D/Transport  
 DKSS  
 CSIO  
 LPSO.  
 D/En.  
 D/Em.  
 CDC  
 CO  
 CWO

Dear Tom

REORGANISATION OF PSA

The Prime Minister has seen your Secretary of State's minute of 28 July about the reorganisation of PSA. She has also seen the Chief Secretary's minute of 29 July which was not copied to all recipients of your Secretary of State's minute. Mrs. Thatcher has commented that she remains unconvinced of the wisdom of the proposals and in particular she wonders why we need a separate organisation to handle the defence estate when the Ministry of Defence could undertake this task. Given the doubts expressed by the Chief Secretary, Mrs. Thatcher very much hopes that your Secretary of State will discuss his proposals with Ministers most concerned before giving any commitments to accept the recommendations of the Chief Executive.

I am sending a copy of this to the Private Secretaries to Members of the Cabinet and to Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

*Timothy Flesher*  
 TIMOTHY FLESHER

John Ballard, Esq.,  
 Department of the Environment.

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SH



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FROM: CHIEF SECRETARY

DATE: 29 JULY 1983



Prime Minister

PRIME MINISTER

Mus 27/9

REORGANISATION OF PSA

The Environment Secretary minuted you on 28 July about the reorganisation of PSA. I agree with him that change is needed there, and I have no desire to hold up progress. However I do doubt whether we should declare at this stage that we are minded to accept the Chief Executive's recommendations.

*- in PM's Box*

2. The elimination of a management tier seems clearly right in principle; I am not clear, however, that the way proposed for achieving that is the best possible. It may be - but I would wish to see the argued case, comparing the costs of the proposed structure with those of alternatives.

3. Again on the defence/civil split we shall need to be certain that this is the best way of doing things, and that the PSA's central role in managing the very valuable assets of the Government estate is not prejudiced. Colleagues will also need to satisfy themselves about the levels of service which they will receive under the proposed organisation.

4. In short I myself still entertain the doubts expressed in your Private Secretary's letter of 3 May; I believe that fundamental changes in the management of very large assets need proper consideration. And until we have had the opportunity for that we should give no commitment

5. I have no objection to the Secretary of State's writing to his unions on the Chief Executive's proposals. But that should



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be strictly on the understanding that the Government has yet to make up its mind.

6. Copies of this minute go to the Secretary of State for the Environment, and to Sir Robert Armstrong.



PETER REES  
29 JULY 1983

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29 JUL 1988



CORRECTION

11



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Prime Minister: /

*I am not  
convinced of the wisdom  
of this change.*



PRIME MINISTER

REORGANISATION OF PSA

*I think that  
the Ministers concerned should  
have a brief  
discussion  
not*

See also Mr Jenkins  
personal minute attached.  
I think that these proposals  
meet the questions you  
raised. Agree that the  
Sqs may proceed as  
he proposes?

*P412 P412 JF 29/12*

Further to Tom King's minute to you of 21 April and to the reply from your office of 3 May, I am writing to bring you up to date with the present position on the proposals for reorganisation within the PSA and to seek your agreement to the next step.

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*Why do  
we need a  
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Defence can do it.*

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A



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PJ

PJ

28 July 1983

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Civil Service  
Long Term  
PT 13



28 JUL 1987

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*Handwritten red mark resembling a stylized 'Z' or '7'.*

PRIME MINISTER

PSA RESTRUCTURING

As an addition to the attached letter, there is one further point I would wish to make.

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*Handwritten initials PJ in blue ink.*

P J

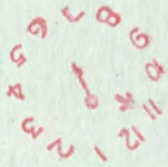
*Handwritten date 28 July 1983.*

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Pt 13



28 JUL 1983