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10 DOWNING STREET

From the Private Secretary

3 October, 1983.

Dear John,

PSA: Wardale/Touche Ross Report on
Irregularities

The Prime Minister has seen your Secretary of State's minute of 30 September and agrees that this report should now be published as soon as possible.

I am sending copies of this letter to John Kerr (HM Treasury), Tony Rawsthorne (Home Office), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Colin Jones (Welsh Office), Steve Godber (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Dinah Nichols (Department of Transport), and Richard Hatfield (Cabinet Office).

Yours sincerely

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

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cc Press Office



Prime Minister

Agree to X subject to colleagues?

Yes no

AT 30/9

PRIME MINISTER

PSA:WARDALE/TOUCHE ROSS (WTR) REPORT ON IRREGULARITIES

Sir Geoffrey Wardale and Mr Herron sent me on August ³ the final report on PSA. Ian Gow spoke to you about it on 11 August and you and I discussed it further on 14 September. At that time I was minded to publish the report at the beginning of the parliamentary session but I have now decided to publish it as soon as possible. This will minimise the risk of any leaks to the press and will also help to clear the air in PSA - at present the report is hanging over the heads of senior staff. I propose therefore to hold a press conference on Wednesday for the publication; I enclose a copy of the statement I propose to make.

attached

Flag A

The report is based upon an examination of 49 cases of fraud and corruption identified between 1976 and 1982, mainly concerned with maintenance where - to set the scale - we process some 1½ million orders a year.

I enclose a copy of the report: you may find it convenient to read the summary in Section 2 (pages 3 and 4).

Flag B

The report is highly critical of the Agency and will attract adverse publicity when it is published. PSA Management has already taken action on some of the management system changes following the interim report on February but others need further study. But the thrust of the recommendations, to improve management attitudes and improve management information, is wholly accepted. WTR have not however made it easy for us to get the message over to the staff. The language in which the strictures are couched will undoubtedly inhibit its acceptance. However, I have instructed the Agency to set in hand a series of measures to implement the report, with great stress being laid on personal visits by top management to ensure action on the ground. I, together with

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Ian Gow and George Young will take a close personal interest in the follow-up.

One of the overriding problems is the size and organisation of the Agency. As you know, I believe that the restructuring proposals put forward by the Chief Executive (and still subject to examination) will produce tighter, more manageable units and hence enhance our ability to meet the criticisms of the WTR Report.

PSA does not, of course, operate in a vacuum. It exists to serve other Departments and the attitudes of my colleagues are important to the way in which PSA carries out its work. I shall need their help in ensuring that their people on the ground understand what we in PSA are trying to do and help us achieve it. I am therefore copying this minute and enclosures to those of my colleagues who have a major interest in the estate - Nigel Lawson, Leon Brittan, Michael Heseltine, George Younger, Nick Edwards, Norman Fowler, Norman Tebbit and Tom King. A copy also goes to Sir Robert Armstrong.

L. Williams

PJ
(approved by the Secretary of
State and signed in his absence)

30 September 1983

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DRAFT STATEMENT AND PRESS NOTICE

In the aftermath of a number of cases fraud and corruption in the Property Services Agency, my predecessor, Michael Heseltine, told Parliament on the 29th April 1982 that he had commissioned a report from Sir Geoffrey Wardale (a former second Permanent Secretary in the Department of the Environment) and Mr Anthony Herron (a senior partner in Touche Ross), to investigate the circumstances of these disturbing cases and to recommend what changes in procedure or organisation are desirable in the light of the findings. Sir Geoffrey and Mr Herron produced an interim report in February 1983 and have now completed their final report. A copy has been placed in the library of the House of Commons. A summary of the conclusions of the report is attached.

Copies of the full report are available

Some 49 cases were identified in the years between 1976 and 1982 principally in the area of maintenance and supply. This report deals with the management structures, management procedures and management attitudes which in the view of the authors facilitate the incidence of fraud and corruption within the Agency. The report is very critical of deficiencies in the management systems and of management attitudes, and it concludes with a number of recommendations for improved control mechanisms not only to minimise fraud and corruption but also to get better value for money.

Mr Jenkin said,

I take this report very seriously indeed. I am sure it is right that it should be published. It is one of the strengths of our system that when things are seen to have gone wrong we do not attempt to conceal or fudge

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Since the publication of the interim report, a large number of the specific recommendations have been or are being implemented. These include: clarification of the responsibility of staff involved in the management of contracts; strengthening the arrangements in random checking of orders; a new commercial attitude has been introduced towards the nominated quantity surveyors the Agency employs; annual certification of accounts of individual staff estimates has been discontinued; reminders have been sent to all staff of the dangers of patronage. A number of other changes called for in the report will be implemented over the months ahead.

In so far as the report criticises management effectiveness in the PSA, Ministers must of course carry their share of responsibility. We have a duty to see that agencies under our control are effective and economical. It is our responsibility to set them clear objectives and establish clear priorities. I have told the Chief Executive of the Agency that I regard value for money and managerial effectiveness as one of the first priorities for PSA. I am of course responsible to Parliament for the work of the PSA and in discharging this responsibility I have the help of Ian Gow and Sir George Young. I mean to take a very close interest in the work of the Agency and we are already well advanced on studies designed to simplify and shorten lines of managerial accountability and to improve services to client departments.

The staff at the Property Services Agency carry out much fine work of high quality. Often they do not get the credit which they deserve for this. This report is concerned with a relatively small part of the Agency's business, but it is my hope and intention that the lessons to be

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the issues but bring them into the light of public scrutiny and public debate. We in Britain are fortunate in having one of the most incorrupt Civil Services in the world. But when standards are shown to have fallen short of the ideal, the public are entitled to know the facts and to know what is being done to put things right.

It is also right to put the cases into context. Compared with the enormous number of small maintenance orders - 1½m per year - which the Agency handles, the number of cases discussed in the report is very small indeed.

It is in the realms of management systems and management attitudes that the report calls for changes, and I am determined that the changes should be carried through.

Since the present Government took office a lot has been done to secure the changes of attitude that we need. An advisory Board for the PSA whose members include a number of people from the Private Sector has been appointed and the expertise which they can bring to bear is already improving the effectiveness of the Agency. We have appointed a Chief Executive from the Private Sector who is bringing a new perspective to the Agency's work. We have greatly increased contracting out to the private sector; we have reduced the direct labour force in PSA by 30% since April 1979; we have rationalised the civil estate and reduced it by 11% (2.4m square feet) in the same period; and we have disposed of estates worth £266m (civil and defence). PSA supplies has been developed on a trading fund basis, and a system to make Departments more aware of the cost of maintaining property (the Property Repayment System) has been introduced. Audit and management systems have been strengthened. ~~management systems have been strengthened.~~

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learned from the report should be applied as appropriate throughout the Agency.

I end as I began. We are treating this report with the seriousness it deserves. I am asking management at all levels to take to heart the strictures and recommendations contained in the report. In coming to grips with the problems they face, they have my full support. The Agency performs essential services for Government and it is right and proper that we should expect the highest standards from them both personal and professional.

If there is any further action I need to take to achieve these objectives I shall not hesitate to do so.

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