



PRIME MINISTER

*Excellent
- my record
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Prime Minister

*Mr Herdson asks colleagues
to give personal attention
to the drive to rationalise
government use of office
space. MRP 3/4*

When we met on 17 March to discuss the CPRS report on repayment for PSA services I mentioned proposals drawn up by PSA for reducing the size of the Government's office estate as civil service numbers run down. I also urged the need for Ministers in charge of Departments to help ensure that these potential savings are realised.

In my own Department, a detailed study by PSA of DOE's offices in central London has shown that it could be possible to regroup from 11 buildings at present into three, over the next two years. The saving would be about £3M in a full year in rent, rates and running costs - a reduction of 20%. I have asked for a detailed implementation plan to be worked out and for regular reports on progress.

These proposals affecting my Department are part of a comprehensive plan prepared by PSA for the rationalisation of the London headquarter office estate as civil service numbers reduce. This offers the prospect of reducing the size of the estate by over 3½ million sq ft over the next 5-7 years. This



would yield savings of up to £50M a year in rent, rates and running costs once rationalisation was completed (this figure excludes the effects of inflation but takes accounts of future rent reviews). PSA are now discussing the proposals in detail with each Department concerned. The early stages of the plan are already being implemented. Last year PSA disposed of 350,000 sq ft of office space in London and expect to release 635,000 sq ft in 1981/82. Work is also in hand to identify potential savings outside London.

The process of estate rationalisation will involve some temporary disruption to Departments but in the longer term should help to improve efficiency and reduce costs by bringing staff together into fewer buildings. It will also require substantial expenditure on building adaptations, payments to landlords for dilapidations etc - perhaps £10M in total over the whole period. Offsetting this will be payments from landlords for early surrender of leases, compensation for improvements carried out, etc. My officials are discussing with the Treasury how these costs and receipts can best be handled.



We have already had an encouraging response from Departments of these proposals but we need to keep up the momentum. I should be glad if colleagues would take a personal interest in these plans as they affect their own Departments and help to make sure that these savings are achieved.

I am copying this minute to other members of the Cabinet, Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

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