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PRIME MINISTER

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COST OF BALHAM JOBCENTRE

Following our conversation at Cabinet yesterday morning I think you should know the facts about the Balham Jobcentre. It is a sorry story in which, as you will see, both the Manpower Services Commission and the Property Services Agency are involved.

In 1976, when under strong political pressure to implement the Jobcentre programme, the MSC took a full repairing lease on a building in Balham High Road, relying on a survey conducted by the PSA - who advise them on such matters on a repayment client basis. It was subsequently found that a considerable sum would have to be spent on the building because of structural defects which the PSA survey had overlooked. After prolonged costing by the PSA of the necessary works and detailed examination of the alternative courses of action the Commission, in agreement with the PSA and with the approval of the Treasury, chose as the best available option to buy the freehold. The total cost, including the original lease, the purchase price, repairs and adaptations, furniture, fittings and PSA charges is £599,000.

The MSC Chairman, Sir Richard O'Brien, has personally pursued the matter with the Chief Executive of the PSA. I attach his letter of 7 January 1981 and Sir Robert Cox's reply.

Since this incident took place I understand that new instructions and procedures have been introduced within PSA which are designed to avoid such errors in the future. Peter Morrison is in touch with Geoffrey Finsberg to ensure that he is satisfied that what is now being done on this score provides the necessary safeguards.

Jobcentres are, in general, more cost effective than the old style Employment Offices they replace. I have, therefore, since we came



into office approved continuation of the programme on a modest and reduced scale. Expenditure on the programme was £6.2m in 1980/81 compared with plans approved by the Labour administration for that year of £9.3 million (all figures at 1981 PES prices). The cost of past mistakes has to come out of this reduced provision.

I am sending a copy of this minute to Geoffrey Howe and Michael Heseltine.

J P

8 May 1981