

Executive summary

Conclusions and recommendations

I was asked to advise ministers on the relocation of public servants out of London and the South East.

I conclude that the pattern of government needs to be reshaped. National public sector activity is concentrated in and around London to an extent which is inconsistent with Government objectives. In particular this pattern fails fully to reflect the large cost disparities between London and other parts of the UK and the revealed benefits of dispersal for the efficient delivery of government business and for regional economies.

London as capital needs a governmental core supporting ministers and setting the strategic policy framework. In every other respect the status quo is open to challenge.

If the Government wishes to make a significant impact on the pattern of its locations it will need to take firm action. I have proposed ten recommendations as follows:

1. Departments have identified more than 27,000 jobs that could be taken out of London and the South East, including up to 20,000 jobs for dispersal as a first tranche. Plans for these dispersals should be taken forward urgently as part of Government's forthcoming spending review.
2. Major dispersals are unlikely to offer a quick payback and they incur considerable costs up front. The Government must be prepared to make the necessary investment. Equally, there is a strong case for sharper incentives to encourage departments to seek the benefits of locations out of London and to keep their presence in the capital to a necessary minimum.
3. Departments should implement their relocation plans alongside efforts to align their pay with local labour market conditions. My review has demonstrated that failure to make progress on locally flexible pay will limit the efficiency gains from dispersal, and could undermine the economic benefits for receiving locations.
4. Whitehall headquarters should be radically slimmed down, reflecting a clearer understanding of what is really needed in London, and of the distinction between policy and delivery.
5. There should be a strongly enforced presumption against London and South East locations for new government bodies and activities; for functions such as back office work and call centres which do not need to be in London; and for bodies and functions whose effectiveness or authority would stand to be enhanced by a location outside London.

Conclusions and recommendations (*continued*)

6. Cabinet needs to give continuing political impetus to the locational agenda. Leadership should be provided by a Cabinet Committee and, in the short term at least, a lead minister. These arrangements should be supported by a small, short life unit at the centre, to act as a ginger group, to monitor and report on progress with dispersals, and to ensure that best practice is disseminated and embedded.

7. Permanent secretaries and other public sector chiefs are responsible for managing their departments' resources, accounting to ministers and to Parliament. Locational considerations must be an integral part of these responsibilities. The aim should be to mainstream the locational aspect of business planning.

8. The Government must take responsibility for the whole pattern of its locations, developing a strategic framework of guidance for departments and ensuring a mechanism for reviewing and where necessary challenging departments' locational preferences.

9. The Government office portfolio must be much more tightly managed. In particular, exits from London should be coordinated to ensure overall value for money and to strengthen individual relocation business cases.

10. The civil service needs a more coordinated approach if it is to minimise the costs and the adverse impacts on staff associated with relocation and redundancy.

These actions will help create a better pattern of government. By setting a good example, the Government may also promote more rigorous thinking about location in the wider economy, in the interests of UK competitiveness.

Introduction

1. In government, as in business, location matters. Where government is placed has an important bearing on the value for money it secures for taxpayers, the quality of services it delivers for customers, and the legitimacy it earns in the eyes of citizens. Location has implications for local and regional economies and for the character of the government service. All this is highly relevant to the Government's current ambitions for improved public services, efficiency, regional competitiveness and devolution.

2. The forces of technology and global competition are changing the conditions in which government and citizens interact, and a wider debate is being conducted about inequalities between and within regions, and about the concentration of power in London. In the past, the geography of government has received intermittent bursts of attention, but never been subject to sustained challenge. A different approach is likely to be needed in future.

3. That is the context in which I was asked, in April 2003, to review the scope for relocating public sector jobs out of London and the South East, and that is why the task is important. I regarded the Chancellor's 2003 Budget statement, which announced my review, as marking a watershed in public policy on locations. My work generated considerable interest and elicited many "bids" from local and regional bodies. I saw this response as evidence of a lively public interest in power and diversity in the UK, and of eagerness from authorities across the country for economic growth and greater influence.

The policy and historical context

4. The Government is committed to improving the efficient delivery of public services, boosting regional economic growth and bringing government closer to the people, through greater decentralisation and devolution. My review is relevant to each of these themes and I have taken note, in particular, of plans for elected regional assemblies subject to the outcome of public referendums, and the Government's stated ambition to empower local authorities.

5. There are also significant external factors. Technology will continue to change the character of government and the ways it relates to citizens. The office environment is evolving, with home-working, hot-desking and other kinds of flexible working becoming more common. Global competition has already increased the international mobility of many types of work, and the public sector will clearly not be immune from future changes. Following the events of September 11 2001, the need for resilience in the face of emergencies should have become a more prominent strand of business planning.

6. What does all this portend for the pattern of government locations? It suggests that future dispersals from London and the South East (and reconfigurations more generally) are likely to be part of bigger reforms which also transform the nature, organisation, productivity and size of public service functions. They may come about by a number of routes, including decentralisation, devolution or a change in the boundary between public and private sectors.

7. These moves are unlikely to follow the model of earlier government relocation drives – in particular the dispersals spawned by the Hardman review of 1973 which transferred self-standing business units to pre-ordained locations in the interests of regional policy. They helped give rise to a narrow and mechanical conception of “relocation” – a kind of chess game played within the machinery of government.

8. This approach is outdated, as is the term “relocation” itself. For modern times the “locational dimension to business planning” might be nearer the mark. I see my review as championing good business planning in government and the responsibilities of service chiefs to deliver.

Why disperse? The impact on government business

9. London remains the most expensive part of the UK for doing business, and an often difficult place to find employees. There is no sign of that changing in future. The financial modelling carried out by my review suggests that relocating 20,000 posts could save the public purse more than £2 billion after 15 years.

10. The evidence is clear that organisations which have dispersed activities from London and the South East enjoy significant cost savings, reductions in staff turnover and improvements in the quality of service they deliver.

11. The business case for dispersal is not just about cost savings. New locations can provide the spur for new ways of working: adopting better business practices, processes and technology, and reforming organisational culture. The best relocations seem to have been pursued as part of a broader reform and re-engineering effort.

12. Dispersal is never problem-free and there are particular issues facing split headquarters functions, for example the amount of senior time spent in visits to London. The research suggests that clear leadership and careful management can contain and reduce these problems (for example by establishing clarity about the real need for meetings, and fully exploring the potential for alternative modes of communication).

13. Careful attention needs to be paid to the impact on individuals. Modern family structures have created a complex context for location decisions. There are increasing numbers of dual income households and workers with caring responsibilities, and people are protective of their work/life balance. But the benefits for individuals should not be dismissed. Staff who move in post may stand to enjoy large improvements in their quality of life and there are benefits for those living outside London and the South East too – new job opportunities and the chance to pursue a public service career without having to move to London.

Why disperse? The impact on communities

14. The economic analysis I commissioned confirms that dispersal of government activity is likely to bring positive economic benefits for receiving locations – a more optimistic prognosis than that of Sir Henry Hardman in 1973.

15. But there are some important conditions. The impact – measured in terms of knock-on job creation – will be greater when dispersals maximise the business benefits to the organisation and where they are clustered in a limited number of locations rather than very widely spread. The impact is also greater where pay is aligned with local labour market conditions, so that relocated jobs are not at risk of crowding out or bidding up the cost of local jobs in the public and private sectors. In the absence of local pay flexibility and a degree of clustering in dispersals, the long term economic effects of government dispersals may be much smaller.

16. There are also wider spin-off benefits associated with bringing new investment, jobs and people to particular areas – for example the potential to regenerate run-down areas, build public sector career hubs and revitalise civic institutions and community action.

17. What is the impact on London and the South East of exporting jobs to other parts of the country? The evidence is that the disadvantages to London are likely to be short-lived and outweighed by the benefits to other areas. Authorities in London have broadly supported this analysis. It has been put to me that some 20,000 jobs taken out of London would be negligible set against a labour market of several million and forecasts of strong economic and employment growth, and that relocating jobs may help to relieve some of the overheating in London.

18. Some parts of the South are deprived and they are not all necessarily suitable exporters of government work. Care must also be taken in relation to the impact of dispersal on ethnic minorities in London. These issues are explored in the main report.

The scope for greater dispersal

19. Starting with a clean slate, the Government would be unlikely to replicate the current distribution of functions across the country. Certainly, there is wide dispersal, and this reflects in part the previous wave of relocations as well as continuing efforts at dispersal, albeit piecemeal and low-key, up to the present day. But the lack of sustained focus on location as an integral feature of government business planning has ensured that the pattern is not optimal and is still too dominated by the pull of London.

20. Striking features of the current distribution of government activity include very large Whitehall headquarters; a heavy London concentration of senior level posts; a significant residual component of back-office and transactional work, including call centres, in London; and a surprising number of arm's length bodies, regulators and inspectorates still in the capital.

Departments' proposals

21. I asked government departments to submit relocation proposals and table 6.1 in chapter 6 summarises the response. About 27,000 posts could be taken out of London and the South East, of which up to 20,000 are candidates for dispersal. Taking account of expected job reductions because of efficiency measures, the net job creation elsewhere in the country would be likely to be a lower number.

22. Departments have made a promising start but now need to convert these proposals into plans. Nor have they exhausted the full scale of the opportunity for dispersing functions out of London and the South East. The 20,000 posts are best viewed as a first tranche. The proposals:

- Mostly involve the movement of relatively junior, operational posts
- Show a preference for departments' existing regional sites
- Leave substantial scope for reducing the size of departmental London headquarters, and for reconsidering the London headquarters location of many executive agencies, arm's length bodies, regulators and inspectorates
- Leave further scope for relocating back office and government call centre activity out of London
- Leave wide scope for dispersal opportunities arising from joining up functions across organisational boundaries.

23. Departments were disappointing in their stance on headquarters and policy functions. With some exceptions, I found that they had not challenged sufficiently rigorously the case for activities to remain in London headquarters. It is not a caricature to summarise some of the responses as "we're here because everyone we deal with is here"; "it's policy, so has to be in London" and "everything we do in London is indivisible."

24. Such thinking reveals the need for greater clarity about the essential constituents of headquarters functions and more precision in defining policy. There is a need to confront outdated and pessimistic views about the potential afforded by communications technologies, including videoconferencing, and to challenge perceptions shaped by a Whitehall mythology about earlier relocations.

Reshaping the pattern of government – an agenda for action

25. I was asked to advise ministers on the relocation of public servants out of London and the South East. It is not my business to prescribe in detail how this should be done. I have recommended a broad approach which is consistent with the evidence and with the Government's own objectives.

26. The geographical pattern of government activity needs to be reshaped. National public sector activity is concentrated in and around London to an extent which is inconsistent with Government objectives. The current pattern fails fully to reflect the large cost disparities between London and other parts of the UK and the known benefits of dispersal for efficiency and delivery. It does not reflect the Government's regional ambitions or policies for decentralisation and devolution. Nor is it best placed to maximise resilience in the face of terrorist attack.
27. London as capital needs a governmental core supporting ministers and setting the strategic policy framework. This is not an endorsement of the status quo, which in every other respect needs to be challenged.
28. There is an immediate need to convert the departmental proposals to my review into firm plans using the leverage of the coming spending review.
29. The key to progress is firm leadership. Ministers must be actively involved in helping to reshape the pattern of government. Permanent secretaries and other public sector chiefs are responsible for managing their departments' resources, accounting to ministers and to Parliament. Locational planning should be integral to their responsibilities, and reflected in their formal duties, accountabilities and performance management arrangements. The eventual aim is not "relocation" but the embedding of the locational aspect of business planning. This may also need new incentives.
30. In three key areas, Government needs to become more coordinated to get the best outcomes. The overall geographical pattern of locations has a major bearing on the Government's objectives for efficiency, the reform of public services, regional economic growth and devolution. The Government must take responsibility for this evolving pattern, rather than be content for departments to pursue their separate locational plans without reference to each other and to broader concerns.
31. Secondly, the Government office estate must be much more tightly managed. In particular, exits from London should be coordinated to ensure overall value for money and to strengthen individual relocation business cases.
32. Thirdly, the civil service needs a more coordinated approach if it is to minimise the staffing costs and adverse human impacts associated with relocation. It makes business and economic sense to pursue an approach which emphasises moving posts rather than people, and to seek to redeploy staff who do not move with the post, rather than to make them redundant. It also makes sense to build up activities in other locations, as well as relocating existing activities from London and the South East.
33. I have set out ten recommendations at the head of this summary and in more detail in chapter 10 of this report. If my suggested plan of action is followed, there will be a real prospect, in time, of government becoming better placed to deliver on its objectives.