

Public Sector Relocation from London and the South East

Prepared for
English Regional Development Agencies

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Executive Summary

The Case for Public Sector Relocation

The relocation of civil service and related public sector jobs from London and the South East is usually considered on grounds of cost, with a payback seen in terms of the particular department. In this report we argue that this is only part of the picture that needs to be examined. Government expenditure on the administration and delivery of services is a major economic activity that can be used more strategically than at present in support of wider public sector targets, including for example the PSA target (for ODPM, DTI and the Treasury) to “make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions”. Rethinking the geography of the public sector, including both relocation and other forms of restructuring, creates the opportunity to achieve better balanced and sustainable growth across the country as a whole, reducing the cost of certain services and also improving the effectiveness of public services. Relocation is too often seen purely in terms of efficiency whereas relocation and rethinking the location of public sector employment can contribute to both the efficiency and effectiveness of public spending in the round.

The British economy is highly unbalanced with more rapid economic growth in London and the South East which produces simultaneous overheating in large parts of these regions and underutilisation of infrastructure and human resources in others. This leads to inefficiencies, high costs and a limitation of growth opportunities. Public sector employment is not divorced from these trends and the consequences of centralisation of some public sector activities in London have been in part responsible for contributing to this pattern. A shift in the geography of public sector employment can have a positive effect on the fortunes of the lagging regions, whilst also freeing up some capacities in London and the South East and reducing inflationary pressures there. This nation-wide benefit is rarely considered by departments relocating as the benefits are not restricted to the domain of an individual department, and the focus is usually on the cost savings to the department in isolation. We believe and demonstrate

that there are potential savings for individual departments from relocation, but question whether this should be the only basis for decisions. Most analyses of relocation yield likely operating cost savings, but the argument for relocation is strengthened by adopting a wider regional development perspective. In addition, there are opportunities to rethink the organisation and delivery of services through redesigning government, with implications for the growth of new job opportunities in lagging regions.

Thus, three elements form the core of our argument that there is a strong case for the relocation of public sector work from London and the South East. The case for dispersal is made on the basis of:

- Ø cost savings and reduced operating costs from relocation;
- Ø the contribution of public services to more balanced regional economic development;
- Ø reinforcing the modernisation of government by relocation.

Our analysis of the case for relocation of the public sector and our recommendations below are sensitive to the need to preserve the international competitive position of London and the South East, and minimise any impact of relocation on social disparities in these areas.

Reduced Operating Costs

Previous research and contemporary data demonstrates conclusively that operating costs for the civil service are substantially lower outside London. The highly regarded study of the relocation from London to East Kilbride of 427 posts in the Overseas Development Administration in 1981 suggested savings of approximately £15 million (1987-8 prices) could be made over a 30 year period (at a 5% discount rate). Our estimate of the current cost of alternative regional locations is based on data for a communications intensive head office of 180 people occupying 40,000 sq ft of office space and considering relocation from London. This suggests substantial savings can be achieved over a 25 year period in all regions including the South East (at a 10% discount rate). These savings primarily reflect reductions in salary costs.

Our case study evidence indicates that relocation from London can produce additional improvements in business operation by bringing together spatially fragmented staff in a modern, customised office building. It is also possible for the civil service to use relocation from London and the South East to reduce staff turnover and improve the quality of labour attracted. Our feasibility study indicates that there are suitable premises (and land for development) available in a variety of regional locations with good physical communications, appropriate telecommunications infrastructure, suitable supplies of appropriate labour and where the quality of life requirements of relocated staff can be satisfied.

Previous government's policies towards public sector relocation have assumed a trade-off between lower operating costs away from London and increasing communications costs as distance from the capital increases. This justified the continued centralisation of senior civil servants close to London because of their high communication costs (primarily travel back to London), and the dispersal of predominantly more routine clerical work with little communication needs to the regions. We believe such an analysis is too simplistic. Our research demonstrates that today it is possible to achieve substantial cost savings in a variety of provincial locations by decentralising even relatively communications intensive functions from London. Communications costs do escalate with distance, but are a small proportion of total costs and we believe that developments in information and communications technology and improvements in physical travel over the last two decades have reduced the communication cost penalty of a provincial location.

Furthermore, our previous public sector relocation research compared salaries in London with national salary scales, and did not take into account the possibility of regional differences in civil service labour costs. When we introduce this differential (which evidence shows to exist) into our analysis, it adds weight to the argument that locations in the English regions outside the South East offer lower cost locations for a range of civil service work.

Regional Benefits

Analysis of the location of public bodies should be based on a wider economic analysis than simply operating costs. Unlike the private sector the public sector is required to take account of national resource costs and the wider benefits to the public. There is a strong regional case for relocation of the public sector from London and the South East. With high levels of unemployment, lower wages and property prices, the opportunity costs of investment in the public sector (rather than the private sector) are clearly lower in provincial regions than London and the South East. Relocating mobile public sector employment can increase demand in problem regions, reduce unemployment and utilise under-employed factors of production in such regions.

Relocations involving a significant number of professional and senior administrative jobs would help to reduce the under-representation of such occupations and skills in weaker regions. Such relocations would help to bolster the pool of public sector skills and local/regional institutional capacity. There are also important multiplier effects in terms of increases in consumer expenditure and increased local purchasing of goods and services associated with public sector relocation, as established work on previous rounds of civil service dispersal and the more recent work on the impact of devolution on Scotland and Wales indicate. Public sector relocation can also reduce the pressure of demand in London and a large part of the South East, which historically have tended to overheat during periods of growth. Taken together, this evidence suggests that dispersal of the public sector can contribute simultaneously to national economic growth, and reducing the persistent gap in growth rates between the regions. However, it is important for policy to acknowledge that relocations that could damage the economies of London and the South East would be inconsistent with the PSA target to “make sustainable improvements in the economic performance of all regions”, and therefore a careful appraisal of the impact of public sector relocations on the host economy needs to be conducted.

Civil service relocation can also enhance ‘regional knowledge pools’ and knowledge-based clusters in the regions. In this context, the relocation of civil service jobs (including jobs in government research establishments), could be used in a targeted and strategic way to build upon the different strengths and potentialities that exist in

the regions, and would thus contribute to the attainment of each of the Regional Economic Strategies of the Regional Development Agencies. The report identifies the opportunities that exist within each region for connecting up civil service relocation with their existing or potential regional strengths. This exercise is indicative only, but could be used in a targeted relocation policy (following a fuller consideration of possible ‘matches’) to strategically ‘steer’ relocations in a manner that would bring benefits to each region. This analysis can also be used to avoid damage to the economies of London and the South East by identifying important clusters of civil service specialisation that should not be broken up and to indicate areas where relocation from London to the South East may be appropriate.

Improved Modernisation of Government

Public sector relocation can also assist in the modernisation of government. The higher echelons of the civil service are overwhelmingly concentrated in London. For example, 81% of the English senior civil service and 49% of grades 6 and 7 are located in the capital. All the head offices of government departments and 79% of public sector bodies sponsored by departments are also based in London. A similar pattern of concentration is displayed for government research and development establishments and expenditure. This picture contrasts starkly with the North East of England, for example, where 67% of the regional civil service is in the lowest two grades of Administrative Officer and Administrative Assistant (the comparative figure for London is 37%).

This organisational-spatial concentration of the civil service means that the capital acts as an 'escalator' region for those seeking promotion within the civil service who subsequently have more opportunities to move on to other parts of the service in the capital and its hinterland. The overheating in large parts of London and the South East restricts this form of organisation because it is increasingly difficult to attract staff to these locations because of the high costs of living. This means that to attract staff to London the median civil service salary for each grade is set £1-2K above the national average and £2-4K above lower cost regions. The spatial separation of junior and more senior staff in the civil service also means that promotion through the ranks is more difficult close to the capital. Not only is there less of a career hierarchy in civil

service departments in the regions, but the problem of limited career opportunities may be compounded where the growing diversity of salaries and conditions of employment in the civil service discourage mobility between departments.

Evidence from the recent evolution of the civil service in Wales suggests that if public sector relocation were to be used to promote the development of a stronger and more independent regional civil service it could change the dynamics of the organisationally and spatially centralised civil service. In Wales, since 1998, there has been a shift from a purely administrative civil service to one that has a stronger policy focus, is better co-ordinated and has better local knowledge. More tentatively, it appears the Welsh civil service is developing a stronger emphasis on local recruitment and career trajectories and over time it is envisaged it will develop a cadre of civil servants with a wider experience of the public sector in Wales, and moving from one organisation to another.

The position in the English regions is obviously less advanced, but the Lyons Review could contribute to a similar process of building up the capacity and upgrading the skills of the regional civil services in England, to support the government's proposed regional devolution, outlined in the White Paper *'Your Region, Your Choice'*. A strengthening of the regional tier of the civil service would also respond to the Performance and Innovation Unit's conclusion that greater coordination of government activity at the regional level could lead to better public policy outcomes.

Recommendations

We recommend that the Lyons Review take a long term and strategic approach to relocation, equivalent to the Hardman Report in the 1970s, but attuned to the present economic and political circumstances. A key aspect of this is that the Review should be more than simply a one-off relocation exercise, and should contribute to a process of organisational change in government. We also believe that since it is possible to make operating cost savings by relocation to a variety of regional locations it is possible for Lyons to give full weight to regional development agendas, unlike previous rounds of relocation.

A Relocation Programme

- Ø Relocation from London and the South East should be co-ordinated in a manner that avoids local competition between departments for accommodation in the same locality.
- Ø Relocation should be facilitated by central funding to meet the initial disruption costs incurred by departments. It is unrealistic, especially in the current expenditure round, for departments to meet the costs of relocation from existing budgets.
- Ø It should be based on more detailed Treasury Guidelines than hitherto that ensure comparative information is produced and value for money achieved from relocation.
- Ø It should be based on a co-ordinated review of the civil service estate, and seek to promote a more efficient spatial arrangement for civil service work. This should include where possible sharing of facilities and space between departments and agencies.
- Ø Relocations should be consistent with and help support the Regional Economic Development Strategies of the Regional Development Agencies (RDAs), including managing the potential positive and negative impacts on London and the South East. Relocation teams should be made well aware of the need to liaise with local agencies.
- Ø It is important that central relocation guidelines are explicit about the regional case for dispersal and make sure that relocation teams take account of RDA regional agendas. Relocation teams should also be made aware of both the state of the art and limitations of current relocation methodologies and provided with guidance on appropriate data to use. They should be made aware of the economic and social character of potential destination cities and regions, and advised on how to handle carefully staff concerns about quality of life issues associated with dispersal to the regions.

- Ø Relocation to provincial regions should include significant numbers of senior management staff and not just blocks of routine clerical work. Relocation should recognise that RDAs are seeking to upgrade their local technical and knowledge capacities and that government research and development is highly spatially centralised. It is also possible for regional locations to provide back up facilities or less high profile sites to satisfy security concerns where there is a risk of terrorist threat.

- Ø Relocation from London and the South East needs to be selective and tactical to avoid potential negative impacts on the origin locations. It should particularly consider those occupations where the civil service is experiencing the most serious local recruitment difficulties. Those activities that reinforce London's international competitive position should not be relocated. It should be sensitive to intra-regional differences in London and the South East, and avoid widening economic and social disparities. Therefore, it should minimise relocation from labour markets, especially in Inner London and close to the south coast, where there are high levels of unemployment and social deprivation. In the South East, which does not have an over-representation of civil servants relative to national averages, we recommend dispersal concentrate on 'hot spots' where the local economy is characterised by overheating and development pressure. Other parts of the South East may be able to offer locations that are competitive with regard to both property and labour force with provincial regions for relocation from London.

A Process of Organisational Change in Government

Lyons should ensure that mechanisms are in place to ensure:

- Ø A presumption in favour of locating all new civil service activities away from London is effective.

- Ø Government modernisation reinforces the movement of functions out from the capital and its environs, and efficiency gains associated with modernisation are made particularly in London and the South East.

- Ø Relocation of the public sector is used to promote more 'sustainable' locations of civil service work in provincial locations by developing a fuller occupational pyramid. This would help to build a stronger regional civil service based round existing centres of specialist expertise in the more devolved agencies that have head offices in all regions. Over time this could offer a counterweight to centralisation in London and help to make relocation from London even more economic by reducing the dependence of the service on the capital.

- Ø This development of a stronger regional civil service could also facilitate 'territorial joining up' by building upon the analytical and policy capacity of the Government Offices in the regions.

Regional Pay

Civil service managers are able to use existing flexibilities in national pay schemes to respond to local labour market conditions. There are currently significant regional differences in civil service pay with average salaries for each grade lower in depressed regional labour markets. This makes connecting dispersal to moves away from national salary scales to regional pay unnecessary. This argument is given additional weight because the co-operation of staff is required to facilitate relocation. Further reducing civil service pay in the regions also risks reducing the regional benefits from relocation and reinforcing regional differences in per capita income. However, where departments have responded successfully to local recruitment difficulties in parts of the South East by introducing special pay zones and rates of pay, it is important that this is maintained because this eases recruitment and retention problems in local service delivery, and of course provides part of the incentive for the relocation of non-local services.

The Relocation of Public Sector Jobs

The relocation of government work is a recurring cyclical phenomenon reflecting the persistent overdevelopment of London, and increasingly the South East region, which produces substantial inflationary cost pressures close to the capital as the national economy expands. This increases public sector costs, principally office rents and salaries, and makes it difficult for the public sector to both attract and retain labour, given that public sector salaries typically lag behind the private sector in the South East of the country. Government's commitment to control public expenditure and reduce the cost of public service delivery adds to pressures for decentralisation from high cost locations near London. The decentralisation of government work from London has coincided with a strong government commitment to regional policy. However, dispersal has waxed and waned primarily in response to the property and labour market situation in London and the South East. In the last 15 years or so government attempts to reform the public sector have also had an increasing influence on the character of relocation.

The numbers of staff decentralised from London and the South East have been relative modest, approximately 69,000 jobs over the last 40 years (Table 1). The first round of decentralisation initiated in 1963 by Sir Gilbert Flemming proposed the dispersal of self contained blocks of routine work that could operate efficiently outside the capital and would therefore benefit from the savings in operating costs that were available outside London. This initiative resulted in the dispersal of 22,500 civil servants from London between 1963 and 1972, and 70% of these went to the Assisted Areas. During the same period a further 9,500 jobs were established outside London as a result of the establishment of posts in new offices. In 1973, a further 31,000 jobs were earmarked for dispersal from London in the Hardman review. Again this was a centrally planned exercise with the aim of ensuring the most efficient solution from the perspective of operating costs, but at the same time it also acknowledged wider regional development concerns. Despite this, the emphasis remained on operating cost savings. Units of more senior staff requiring regular contact with London were recommended for short distance relocation. Larger units of clerical or data processing work were to be relocated to more peripheral areas. However, in practice few of the

Hardman decentralisations actually occurred, and only 11,500 jobs were actually decentralised from London between 1973 and 1988. From 1979 onwards the Government was more interested in controlling public expenditure than relocating the civil service. However, in the late 1980s, the overdevelopment of London and the South East created problems for civil service recruitment and rising property rentals levels again encouraged decentralisation. The Treasury introduced a review of the location of departments in the annual expenditure round. In contrast to previous rounds of relocation this was not a centrally planned exercise; the relocation decision was left up to individual departments. However, relocation from London to the South East region was actively discouraged and some relocations occurred from the South East itself. Though departments had to consider locations in the Assisted Areas there was no obligation to move there. Between 1989 and 1993 19,000 posts were relocated or established outside the South East, and a further 6,800 jobs planned for decentralisation (Table 1). Relocation was again predominantly driven by cost savings. According to Jefferson and Trainor (1996) the 1980s and 1990s relocations went predominantly to larger regional centres with good quality office accommodation and labour availability. On average 37% of staff moved with the unit and 63% were recruited locally. Very few senior grades were relocated and approximately 70% were in either administrative assistant or administrative officer grades and 27% were in executive grades. They estimate that the salaries of relocated employees were lower than the civil service nationally.

The downturn of the economy at the end of the 1980s meant that the pressures for decentralisation quickly ameliorated in the 1990s, due in large measure to the collapse of the commercial property boom in London, coupled with the over-supply of property as a result of the speculative developments in London's Docklands. Though problems of congestion remained, recession also lessened the labour turnover problems being experienced by the public sector in London and the South East and along with it the numbers of relocations declined (Marshall, 1996). There are some parallels here with the present situation where after a lengthy period of growth the cost pressures for decentralisation from the capital are temporarily easing. However, the Lyons Review needs to take a longer-term perspective.

Public Sector Relocation Reduces Operating Costs

Previous Research

This pattern of public sector relocation can be understood against the background of studies of office relocation from London, carried out in the 1960s and 1970s, that suggested considerable savings in operating costs could be achieved by decentralising offices from the capital. Operating costs fell rapidly with distance from Central London, beyond 50 miles there were few further reductions in rents, rates and salaries, and beyond 80 miles from London no further reductions in operating costs were achieved and communications escalated to make relocation un-economic (Goddard and Pye, 1977). More detailed cost benefit analysis of public sector relocation regarded moves as an investment decision where the initial costs of dislocation are associated with future savings (Table 2). Any savings in operating costs (eg reduced payment of the London salary weighting) are offset against the increased costs of operation at the new site (eg additional communication costs) and then expressed in fixed prices and discounted back to a particular date (to reflect the interest rate on borrowing to fund the investment). For example, in a study of the dispersal in 1981 of 427 posts in the Overseas Development Administration (ODA) from London to East Kilbride Ashcroft et al (1988) suggested that the initial dislocation costs were of the order of £4 million (in 1987-8 prices). Cost savings of approximately £28 million in rents, rates and salaries were achievable over a 30 year period, while the additional administrative and communications costs were much smaller (£10 million). At a 5% discount rate, the net present value (discounted back to 1981-2) of savings in the move was almost £15 million and the dispersal 'broke even' within 7 years. The move was still financially viable at 7% and 10% discount rates. Ashcroft et al (1988) conclude, "the ODA dispersal to East Kilbride was both an efficient use of resources at a UK level and a highly cost-efficient means of transferring employment and activity from London and the South East of England to a development area" (page 6).

Early in the 1990s, CURDS developed a comparative cost model to examine spatial cost differences in rents, labour and communication costs (business travel) and offset these against the cost of a proposed decentralisation of a government head office of

180 people from London in 1989-90 (Marshall et al, 1991). This work showed that operating costs were substantially lower (on average 20-30% lower) outside the South East of the country. Again, as in the East Kilbride relocation, the increase in communications costs on decentralisation was small relative to the impact of substantial reductions in labour and rental costs. Savings of approximately £6 million (in 1989 prices) over 25 years appeared achievable in a number of locations outside London and the South East and the additional costs of the move (eg redundancy and relocation costs) could be paid for in 5-6 years. These results are again sensitive to the discount rate chosen, but those outlined above were calculated assuming a 10% discount rate. Detailed qualitative analysis of four provincial city locations qualified this analysis slightly suggesting that at that time a careful locational search was required to realise the cost savings in the model and find the high quality office accommodation required by the head office. Only some provincial cities were marketing themselves effectively as a location for mobile offices. Significantly, by the early 1990s, the growth of the South East had pushed up rental levels and tightened labour supply in a wider area than in the 1960s and 1970s. It was necessary for decentralisations to go further out, 80-170 miles, to achieve the greatest cost savings. This explains why there were few short distance relocations in the late 1980s and early 1990s. However, very long distance relocations were also less popular in a market driven situation because, beyond 170 miles from the capital, increases in communications costs begin to erode the savings in rents and labour costs (for a head office and communication intensive function).

The Current Pattern of Relocation Costs

Key Assumptions

To extend the conclusions of previous academic research we have updated our comparative cost model, using contemporary information on property, communication (business travel) and labour costs. Table 3 summarises the key assumptions of the model established in 1989-90. It is based on 180 staff requiring 40,000 sq ft of office space relocating from central London to a number of possible regional locations. The

cities included in the analysis are all important regional office centres. With the exception of Peterborough they were identified as important locations of civil service employment in our previous research (Marshall, 1996), and they were all included in our original comparative cost analysis (Marshall et al, 1991). Some 42 staff are assumed to relocate with the unit and the remainder are employed locally. Business travel to London from the regions was assumed to require an extra 10 journeys per week to London (costed as first class rail travel). This benchmark relocation scenario from our previous analysis has been updated. The costs of relocation are specific to the organisation involved (including removals, recruitment costs, training costs, relocation team and extra staff to cover the move), and these have been inflated from our original estimates (Table 3). The retention of a small London base is also assumed. Savings were calculated as a net present value over 25 years at a discount rate of 10%. The model does not include business rates, regional differences in the cost of recruitment or any improvements in business operation post move. The inclusion of these variables may on balance be expected to have further reduced operating costs in the regions.

There are some important differences in the data used in the 1989-90 and 2002-3 models. Our current information on rental levels is derived from the 'investment grade property' in the Investment Property Databank (IPD) and not prime office rentals (as in our earlier analysis) that are regarded as less reliable. For this reason we have recalculated our 1989 data using historical information from IPD. The variation that has developed in civil service terms and conditions of employment over the intervening decade means that we have based our 2002-3 estimates of current labour, individual relocation and redundancy costs on actual data provided by a large civil service department. This includes an individual relocation package of £33,000 and a redundancy package based on an average of 17 years service and an average age of 45 (the data assumes 60% of staff take severance and 40% early retirement). This is higher than the original assumptions in 1989-90. We know from our relocation case studies (discussed later) that in the real world there will inevitably be some additional costs not included in the model. Nevertheless, it should be recognised that the model is conservative in terms of its assumptions about the impact of redundancy and relocation cost savings on operating costs, and in all other respects the comparative cost model remains the same as in 1989-90.

Data Results and Implications

The changes to the data mean we caution against a detailed comparison of this analysis with our earlier work. Comparing our 2002-3 analysis in general terms with 1989-90, salary savings are slightly higher in 2002-3 and rental savings slightly lower. Overall operating cost savings are in the range of 20-26% in 2002-3 in the cities chosen compared to 30-35% in 1989-90. This predominantly reflects the impact of a reduction in the rental gradient between London and the regions between 2003 and 1989. However, we are confident of the broad conclusion that we derive from the model, namely that the basic spatial pattern of costs that we described in 1989-90 still applies in 2002-3. By relocating a communications intensive civil service office from London to a variety of provincial cities (including locations in the south of the country such as Southampton and Bristol), it is again possible to achieve substantial cost savings and these are indicated to be of the order of £3-6 million (2002-3 prices) over a 25 year period. Compared to our earlier analysis, the scale of savings is, however, reduced and the payback for the move is extended from the 4-7 years in our earlier analysis to 8-11 years in 2002-3 (Table 3). These differences partly reflect the fact that 1989-90 was the peak of the Lawson-Thatcher boom in London and the South East which had an unsustainable impact on rental levels.

It is clear that, as in our earlier analysis, the days lost to travel need to be set against the estimated savings in more peripheral areas. However, it is also worth noting that we take no account of any regional differences in civil service salary levels other than between London and the rest of the country. The analysis in the section on Civil Service Location shows that some peripheral locations (the North East and Merseyside) have salary levels below those of other regions. We examine the possible impact of these factors below.

Varying the Impact of Communications and Labour Costs in the Model

In more detailed research on the impact of communications costs we have estimated the impact of costing travel time (at the HEO level). This assumes that all extra travel time is a cost to the organisation, clearly an over-estimate since staff work on the train and some travel is in non-work time. However, even so, the impact on the relocation scenario is marginal (because communication costs are a small element of total costs), and it only slightly reduces the ranking of Liverpool and Newcastle, locations with among the highest work days lost per week. It is also worth commenting that over the 1989-2003 period travel times have reduced with the exception of Liverpool.

We have also tried costing the impact of the regional differences in civil service pay discussed later in the report. The impact of this change is more important than that for communications costs because labour costs are the dominant influence on the outcomes in the model, and the results are therefore displayed in Table 3. We again need to be cautious about the results of this analysis. Salaries from one civil service department have been adjusted by an index that reflects the regional differences in median civil service salaries by grade shown in Table 12. Basically, the effect is to strengthen the position of Newcastle and Liverpool in the rankings of cost savings, because they are both locations with comparatively low civil service labour costs. In addition, it also reduces the ranking of locations in the south of the country most notably Southampton and Bristol, because salaries in the South East and South West regions tend to be higher.

In sum, based on this analysis, we conclude that in 2002-3 relocating a civil service office to a variety of regional locations can make substantial operating cost savings. In contrast to the previous research conducted for Hardman (1973), we argue that this conclusion applies to a communications intensive head office. This confirms our earlier work indicating that the pattern of location costs which favoured locations close to London in the 1960s and 1970s has changed.

Case Studies of Government Relocation

To extend previous research we have also conducted 5 case studies of public sector relocation from London and the South East, based on interviews with relocation managers and secondary source evidence. There is an important distinction in relocation research between the movement of work and the transfer of people. The former is less difficult, because it can be more readily planned and involves fewer risks to the organisation. Relocating substantial numbers of staff is more time consuming, increases relocation costs and produces greater disruption. It only tends to be carried out when it is necessary to retain more valuable senior staff. The case studies were chosen to provide evidence on the relocation of head office or specialist technical functions where staff were transferred, rather than just the routine clerical work typical of 1960s and 1970s relocations. The case studies include the Patent Office move to Newport, the Inland Revenue relocation to Nottingham, the Department of Social Security and National Health Service Executive joint move to Leeds and the Met Office relocation to Exeter (Table 4). The analysis shows that where such relocations are well conducted and carefully monitored they can achieve the savings outlined in the aggregate cost benefit models.

The main reasons for relocation in these case studies included:

- Ø Savings in property costs resulting from vacating high cost old, outdated and inefficient buildings in London;
- Ø Reducing difficulties associated with spreading work across many sites in London and the opportunity to centralise staff at a new location;
- Ø Relocation facilitated a move to a prestigious new bespoke building designed to meet the current business needs of the organisation especially with regard to computer technology;
- Ø Labour cost savings due to the reduction of the London weighting on salaries;
- Ø Reduction of problems recruiting and retaining qualified staff in London and the South East, and achieving lower recruitment costs and better retention of staff in the provinces;

Ø Moves frequently occurred at a time of considerable change within the organisation and were used to accommodate or reinforce change.

The case study moves were regarded as a success by those responsible for them. There were hitches with regard to timing (staff were forced into temporary accommodation in the Patent Office and Inland Revenue moves), changing staff requirements led to revisions in the buildings constructed (eg DSS/NHS Executive move to Leeds) and some problems were experienced with aspects of the new buildings (eg insufficient space to meet IT requirements, problems with the heating of an atrium). In two relocations unrelated redundancies affected morale following the move. Nevertheless, evaluations of the relocations suggest that they had achieved improvements in business effectiveness. In the case of the Patent Office and the Inland Revenue customer surveys reported significant improvements in response times and in the quality of service provided following the move. Internal managers also regarded the quality of staff available in the provinces as higher than in London. Information on the financial costs and benefits of the relocations confirms the conclusion of Ashcroft et al (1988), though substantial differences in the methodologies adopted makes detailed comparison impossible (Table 5). For example, the Inland Revenue move of 1800 posts to the Inland Revenue Centre in Nottingham, predominantly from London, was estimated to produce savings of £49.3 million (in 1996 prices) with the relocation beginning to 'payback' (ie cover the cost of the move and begin to make savings) in the 11th year after the move. Evidence provided in Table 4 suggests that in some moves not all the savings predicted in pre-move cost-benefit evaluations were achieved. The Patent Office move from London to Newport, for example, made £3 million less savings than expected. The Department of Social Security and National Health Service Executive moves to Leeds were estimated in 1990 to make £165.1 million in savings (over 60 years), but after the move in 1996 they were estimated to be likely to make savings of closer to £116 million. These moves were originally intended to begin to 'payback' in year 14 after the move, but in practice this was likely to be year 17 for the DSS and year 19 for the NHS Executive.

Such differences between the pre and post move estimates of costs and benefits partly reflect the improved data available after the move, and the fact that relocations were adapted to meet the changing circumstances in the departments involved, including

different staff and estate requirements. Pre move evaluations are also dependent upon assumptions about the value of vacated property in London, and this is often sub-prime accommodation that can be quite difficult to fill. The National Audit Office (1994; 1996) and the Public Accounts Committee (1996) have also identified shortcomings in relocation appraisal techniques and the implementation of the move within some departments. We conclude that to maximise the potential cost savings on relocation from London and the South East it is necessary for relocations to be centrally co-ordinated and carefully monitored. We recommend detailed Treasury Guidance covering issues such as the manner in which costs and savings are incorporated in the appraisal of relocation, including the discount rate used and the assessment period to be considered in business cases and post move evaluations. Normal practice is to standardise the assessment period for relocations at 25 years, since this is approximately the life time of an office before major refurbishment. However, we recognise that the public sector will undergo considerable change over this time, estimates of savings will be approximate and rental reviews and foreseeable changes in staffing should be factored into long term planning.

Another feature of the case studies is the role played by relocation consultancies and the way they, together with their clients' preconceptions, shape the outcome of the location decision. They both naturally tend to focus primarily on the perspective of the client department and give less weight to wider regional issues. Not all relocation teams have sufficient contact with local agencies. As a consequence civil service relocations in the 1990s were at times in competition with each other for the same space. One of the relocations was characterised by relatively arbitrary decisions on the need for communications connectivity when this travel was experienced by only a small number of individuals, and quality of life indicators were used that did not recognise that there are significant differences in such indicators within regions. In one instance this discouraged relocation to provincial cities (that perform poorly on some quality of life indicators) when staff actually live in less-urbanised locations nearby. Again this suggests a need for central guidance.

The case studies indicate some of the problems that arise when relocating more senior civil service jobs from the capital. As indicated in the Lyons Team Interim Report isolation from the rest of the department can arise following a regional dispersal. This

could result in the regional site appearing to be ‘off message’ or ‘go native’. The NHS Executive move to Leeds probably underestimated the need for increased business travel back to London to maintain access to Ministers and senior staff in the department. The latter disruption often falls particularly on staff that are critical to the operation of the department. However, the case studies also show ways in which these problems can be ameliorated or overcome. It is important to identify in advance where communications problems are likely to arise and if necessary retain a London base, or provide opportunities for some staff to work from more than one site or from home. Creating a critical mass of civil servants at the destination location and establishing related functions at the same site reduces external communications and provides local career opportunities for staff. Reorganising the way work is conducted by using telephone and video conferencing facilities and electronic means of communication (especially email) is particularly effective where the ICT network is updated associated with relocation. It is also important to encourage staff to plan their contacts carefully and make the maximum use of visits to London. Of particular importance to successful relocation is the commitment of senior management in the department and the Ministers themselves to the new location, and recognition on their part that the new site is an important regional centre in its own right and not a remote outpost of Westminster.

Other examples of good practice in the case studies that can be used to guide future relocations are summarised, together with information derived from private sector relocation, in Table 6. Key conclusions here are the need for a thorough locational search that is reviewed if the circumstances of the move change. Staff involved in the move should be fully consulted and asked to volunteer for relocation. Relocating staff need to be reassured about the impact of the relocation on their partners and family, and about quality of life issues. They should be provided with a well designed relocation package that is customised to their needs as well as that of the organisation. Relocation schemes that assist with the buying and selling of property, and providing time off to make the move are both particularly important. The project team managing the move should have appropriate expertise, be provided with training and work closely with specialist consultants. They should give early consideration to obtaining planning approval and also have a well developed plan to deal with disruption caused by the move including employing additional staff to cover for absent colleagues. A

post move evaluation should provide a detailed quantitative assessment of whether the move met its objectives.

Feasibility Study: Locating a Civil Service Office in Provincial Areas

Data Collected from the English Regional Development Agencies

The effective operation of public sector organisations requires they should be relocated to localities providing a supply of good quality, well-educated labour with computer skills, high quality office accommodation, efficient air and surface communications and good telecommunications networks. A study was conducted to test the feasibility of relocating a civil service office to each of the nine Government Office regions. This provides ‘real world’ information to set against the aggregate results of the cost benefit models. In sum, it indicates that relocation is currently feasible from a ‘business’ point of view, and also provides information that would help to convince staff moving with the office to relocate to the area. A hypothetical civil service relocation was envisaged employing approximately 200 staff and requiring 40,000 sq feet of office space in a ‘prime site’ in an urban location. It possessed a mix of senior managerial, administrative and clerical staff. Most of the former were relocating with the office, but all of the clerical labour and some of the administrative staff were to be employed locally. Each of the RDAs was asked to provide information to us as a ‘bid’ to attract such an office. They were asked to address both the possibility that the civil service office would wish to move into existing available office space and that they might wish to build their own property on an available site.

Availability and Cost of Premises

All nine RDAs identified suitable buildings currently available for occupation capable of housing a civil service relocation requiring 40,000 sq ft with good communication access by road, rail and air. Indeed, with the exception of the South West and the East

of England, the RDAs identified premises available in a range of different locations. It should be noted that all regions have possible relocation sites with access to broadband, and the larger the centre the wider the choice of potential provider.

Considerable care needs to be taken in the analysis of spatial variations in the costs of accommodation. The submissions prepared by the RDAs suggested relatively limited regional variability in the cost of accommodation. Each region, with the exception of the East of England, was able to demonstrate the availability of premises with an annual rental level about £15 per sq. ft per annum, though in London this was for refurbished space. Considerable variability exists, however, both within and between regions when comparing accommodation of a similar quality and age. Unfortunately, no wholly reliable source exists to accurately gauge regional differences in the cost of comparable accommodation. Figures on 'prime rents' for major office centres (eg those produced by Jones Lang La Salle) are strongly influenced by how recently a prestige 'landmark' building has been completed. For this reason Table 7 shows the Investment Property Databank (IPD) figures for the estimated rental value of 'investment grade property' for each region and for a major office centre in each region. The IPD database contains estimated rental value data on some 12,000 properties mainly in the ownership of major institutional property investors. Estimated rental figures are supplied annually by the property agents of the investors. It should be noted that inevitably there are regional differences in the propensity of institutional investors to invest in commercial property. Institutional investors are understood to be less likely to invest in older refurbished stock in 'less-established' office markets.

Rental levels are higher in London than elsewhere, but differences are muted outside the capital, a pattern that we found in our previous research (Marshall et al, 1991). The lowest rental levels were found in the Eastern and East Midland regions (£11 per sq foot). If issues of sustainability are to be considered and the search for sites is to be restricted to locations where the majority of staff could be expected to use public transport then effectively only city centre locations would be considered and primary centres in each region are therefore identified separately in Table 7. It is worth noting that in some regions there is little rental gradient between the city centre and an edge

of city site (e.g. the North East, East Midlands and South East). There is, for example, virtually no rental gradient between a prime Newcastle city centre site and a new business park on the edge of the Tyneside conurbation. In regions with a dominant regional centre in the property market, for example the West Midlands, North West, South West and Yorkshire and the Humber, there is a greater rental gradient. For example, in Central Birmingham rents are more than twice those commanded on business parks elsewhere in the West Midland conurbation. The contrast between central London and provincial centres is more marked than the regional data with the West End achieving average rental levels of £30 per sq ft and the larger cities, and cities closer to London, offering rents typically in the range £15-16 per sq ft. The lowest rents are recorded in Peterborough and Liverpool. However, it should be noted that in several cities and regions there is a surplus of available accommodation and significant rental reductions (25% below asking rental) or significant rent free periods (over 2 years) can be expected to be achieved by a government relocation prepared to enter into a long lease.

Labour Market

All regions with the exception of the East of England identified the availability of premises in cities with a large metropolitan labour market from which to draw secretarial, clerical, IT and managerial employees. Some parts of the Eastern region, in common with London and large parts of the South East, currently have recruitment difficulties and skills shortages. The 2001 Employer Skills Survey found that across the East of England Region nearly half of the 90,000 vacancies were described as difficult to fill. Since 1991, unemployment has fallen further across the East of England and there can be expected to have been a further tightening of the labour market.

Quality of life

All nine regions cited a wide range of cultural and recreational facilities within their region. All of England's metropolitan areas have higher crime rates than the national

average, particularly in their inner city areas, but are typically surrounded with less urbanised areas that experience much lower levels of crime. In all nine regions there are towns / residential areas within 45 minutes commuting distance of identified potential premises with lower crime rates (for both burglaries and car crime) than the national average and with local primary and secondary schools with considerably higher levels of educational attainment than the national average. Relocated staff can expect to improve their residential accommodation outside London and the South East. Regions in the North and Midlands experience lower rates of house price inflation than the South. Closer analysis reveals that more affluent areas in these regions have generally experienced house price inflation at rates above the national average. In the longer term, however, if staff were to be relocated outside London or the South East differential rates of house price inflation could discourage a move back to the South East.

The Regional Benefits from Public Sector Relocation

The Lyons Review: Developing a Hardman Report for the 21st Century

Arguably Hardman's work in the 1970s represents the best analysis available of the case for the dispersal of the public sector from London. We believe that the Lyons Review needs to establish a similar benchmark attuned to the present circumstances. Key features of Hardman are still relevant today including especially the need to take a long term and strategic approach to public sector relocation. Hardman developed a centrally planned relocation exercise, unlike the more devolved relocation programme in the Tory years. There is again a need for central co-ordination in the current programme of decentralisation to ensure the most efficient solution from the perspective of operating costs for the civil service as whole and not just individual departments. There is also a need for common standards to assess value for money from individual decentralisations.

In his recommendations for relocation Hardman sought to strike a balance between civil service operating costs and wider regional development concerns. However,

despite recognition of wider regional issues, the emphasis remained on identifying the lowest cost location on the basis of operating costs for the individual departments concerned. Communication costs were given special consideration and units of more senior staff requiring regular contact with London were recommended for short distance relocation, and few senior management functions were decentralised to the regions. It should be noted that our earlier analysis suggests that Hardman's trade-off between the least cost location for civil service offices determined on the basis of operating costs and the alternative of a regional location determined on the basis of need is too simplistic. Our research demonstrates that today it is possible to achieve substantial cost savings in a variety of provincial locations by decentralising even relatively communications intensive functions from London. Communications costs escalate with distance, but are a small proportion of total costs and we believe that developments in information and communications technology and improvements in physical travel over the last two decades have improved the economics of a provincial location. Furthermore, previous public sector relocation research compared salaries in London with national salary scales, and did not take into account the possibility of regional differences in civil service labour costs. When we introduce this assumption into our analysis, it adds weight to the argument that locations in the English regions can offer lower cost locations for a range of civil service work.

Hardman also took a narrow view of the regional case for decentralising government work. He concluded that regional resource gains from civil service relocation would be small because existing employees in the regions would take most relocated jobs. He also identified a mismatch between the white-collar employment dispersed from London in which women predominated (because it was more routine clerical work), and predominantly blue-collar male unemployment in destination locations in the provinces. He took the view that much of the employment created via civil service dispersal would increase female activity rates and bring a "hidden female labour reserve" into the labour market. This was arguably an over-simplification of the situation in the 1970s, but today it no longer pertains. The growing participation of women in the workforce in all regions, the growth of white collar jobs in regional economies for both sexes and the rise of women in the civil service workforce (below the level of the senior civil service) have substantially changed this position.

Hardman neglected the possibility of relocating jobs from the South East and concentrated on London. This report believes that the continued growth of the core area of the economy means there is a regional case for relocation from both London and the South East. There have also been important changes in the political environment since Hardman that need to be taken into account in the Lyons Review. This analysis focuses particularly on the thrust towards government modernisation. It suggests the dispersal of government work from London and the South East should be seen as both a separate one off programme of relocation, and also as part of an ongoing process of change in government.

The Regional Case for Decentralising Government Work from London and the South East

An analysis of the location of public bodies should be based on a wider economic analysis than simply operating costs. Unlike a private firm the public sector is charged with considering questions of equity, broader national resource costs and wider benefits to the public (Jefferson and Trainor, 1996). Such issues are more difficult to measure and are frequently ignored in favour of the analysis of more obviously measurable operating costs. However, if the calculation of the costs and benefits of public sector relocation were based on such a wider analysis, rather than operating costs, then a regional location would look more attractive. With high levels of unemployment, lower wages and property prices (Table 8), a case for redistribution can be made for relocation to provincial regions on the basis of spatial equity. The opportunity costs of investment in the public sector (rather than the private sector) are also clearly much lower in provincial regions than in London and the South East of England. Relocating mobile public sector employment from London and the South East will increase demand in problem regions, reduce unemployment and utilise under-employed factors of production in such regions. Conversely there has been rapid growth in private sector service employment in London and the South East in recent years, with consequent implications for the overheating of those regional economies, excessive demand on infrastructure, and the pricing out of the housing market of essential public service staff (Table 8). In these circumstances a rebalancing of civil service jobs away from this region would help to redress regional imbalances

and disparities as well as reducing the competition from the public sector for staff and resources in London and the South East. It may also release scarce skills to the private sector in overheated labour markets in the south of the country, and may therefore contribute to national economic growth (Armstrong and Taylor, 1993).

The benefits of relocating public sector jobs to the regions can be seen in static and dynamic terms. In static terms there is a direct economic effect on the region from the immediate employment of civil service staff. In so far as mobile public sector work supplies non-local demand it can be regarded as part of the export base of the region. In this regard it fulfils a role very similar to that of private sector financial and business service firms in the local economy (Jefferson and Trainor, 1993). The multiplier effects can be seen in direct employment multipliers from the consumption of employed staff, and low level purchasing by civil service offices – consumables and intermediate services. These direct effects of relocation can be particularly important to a region where there is an upward shift in levels of higher paid professional graduate staff, especially in regions where there are limited professional service jobs already.

Regional income and employment multiplier models seek to estimate the impact of such investment on the local region, though most studies have concentrated on the multiplier effects of private sector investment on the public sector. However, Ashcroft and Swales (1982) developed a modified Keynesian multiplier to estimate the first round impact of the increased consumer expenditure associated with two proposed but cancelled dispersals (the Property Services Agency to Cleveland and the Ministry of Defence to South Glamorgan) in the Hardman round of decentralisation. This showed the impact of dispersal on the local economy is critically dependent upon the type of jobs involved in the move, the numbers transferring from London and the numbers recruited locally. This model was applied to the actual ODA relocation discussed above, where 43% of the posts were in administrative ‘mobile’ grades where staff can expect to move round the country. This is lower than both the proposed MOD and PSA dispersals where the proportion of staff in mobile grades was 50% and 60% respectively. This means the incomes of the dispersed civil servants were lower in the ODA move, which reduces local consumption expenditure and the additional employment. As argued above, this is typical of several of the long distance

relocations to problem regions in the 1970s and 1980s. Nevertheless, the 381 civil service jobs in East Kilbride in 1987 increased short-run employment (ignoring the longer term impact on local authority expenditure) in Strathclyde by 436 (an employment multiplier of 1.14) This employment was associated with an increased (and retained) local income of £3.3 million (in 1987-8 prices). Long run impacts were estimated to be 10% higher. It should be noted that this estimate of the impact of the ODA dispersal on the local economy does not include increased local purchases from the civil service office.

Examining regions in more detail it is necessary to consider the distribution of relocated jobs. Regions are highly differentiated internally in terms of employment opportunities and the capacity to supply the labour market and other needs of civil service units. In some regions there are examples of successful large cities with low unemployment, in others unemployment is low in smaller market towns. Some regions have greater problems in more diffuse partially urbanised areas such as former coalfields. A strategic approach must be taken in each region to ensure that relocations meet the needs of the region as well as the civil service. An attractive small town may suit relocating staff and may be low cost, but have a limited labour market and induce high car use. In many cases a location in one of the larger cities will provide a better range of local staff, and ensure easier public transport provision including access from outlying areas of high unemployment.

However there is a potential trade-off between the static benefits gained which might be maximised in relatively small labour markets with disadvantageous economic structures, and the dynamic effects which might be gained by location in larger provincial centres. Smaller locations may offer lower costs and the possibility of bigger impacts, but with questions over the possibility of recruiting and retaining staff of the quality required. The lack of potential integration of the government jobs with the local service milieu also risks low levels of dynamic effects. On the contrary a different set of arguments might be developed for the synergies that can be developed between civil service relocations and the development of larger provincial cities.

Again we need to start from the perspective of how do we ensure the enhancement and development of all regions, and this essentially implies meeting PSA targets to

narrow the differentials in growth between regions – ideally promoting more rapid growth in the poorer regions in order to achieve real narrowing of regional disparities. A central element of regional disparities is the relative low level of high value added services in the more peripheral regions – typically these regions are over-dependent on the declining manufacturing sectors and in recent years have experienced growth rates in knowledge intensive business services that are substantially less than those of London and the South East. The business services sector has wider impacts on the regional economy than just its immediate employment and value added contribution. Business services contribute to the enhancement of performance in other sectors, they are large employers of graduates, their staff demand an increased sophistication in local services and facilities – in short they lie at the heart of the creative economy. Such staff add considerably to the profile and dynamism of cities, whether they live and work in the cities or simply use them for leisure and consumption. In Britain, regions lack this vibrant service oriented economy in and around the major cities. This means not just that the cities suffer from economic weakness, with implications through local multipliers for the concentration of severe unemployment and social disadvantage in the cities, but also that the surrounding regions are constrained in their ability to thrive. Some smaller towns survive well as centres of affluent commuters and through the location of a few larger employers, but for large areas of former industrial areas the absence of local dynamism is compounded by a relatively weak supply of services from the cities.

Breaking into this cycle of disadvantage requires a strengthening of the service base and the provision of high status jobs within the cities. One potential element of this is the relocation of higher level civil service jobs. This has a number of advantages in addition to the static cost benefits:

- Ø Enhancing the skill and knowledge base of the regions, especially if activities are chosen with potential for spin offs such as from research establishments;

- Ø Enhancing the potential for the development of complementary expertise within the region and the growth of consultancy businesses that might address national and international markets;

- Ø Procurement effects on high level business services as the result of outsourcing key service activities;
- Ø Providing clear opportunities for graduates within the region and role models for school leavers.

A central issue is the extent to which government and RDAs can work together to identify opportunities whereby government activities can be decentralised to areas that can proactively use these new resources to assist in the diversification and development of regional economies. This implies going beyond thinking of civil service relocations as simply a number of jobs, and regions as being simply boxes to contain those jobs. Government needs to be much more proactive in recognising that its activities stimulate and generate private sector activities based on common knowledge bases. To date the concentration of senior policymaking roles in London and the South East has led to these benefits being relatively concentrated, thus contributing to the uneven development of the national economy. Such consequences will continue even if there is decentralisation unless thought is given to how the strategic elements can be better decentralised and embedded in regional strategies.

Sensitivity to the Possible Negative Impacts of Relocation on Destination Regions

There are potential negative impacts associated with relocation. These include the fact that increased demand in destination regions may increase property and labour prices. The growth in the non-market sector in a region may crowd out the private sector and have negative impacts on enterprise and initiative in the local economy. The increased dependence of the regional economy on government also makes it more vulnerable to reductions in government expenditure. It is certainly the case that dependence on the public sector means that areas are vulnerable to reductions in government expenditure as numerous areas found to their cost during the period 1979-1997 (Marshall et al, 1999). However, this is not much different to dependence on the private sector, which has been criticised for the vulnerability of branch plants in problem regions to closure.

More fundamentally, the view that expanding the public sector reduces the entrepreneurial capacity of local economies reflects a misreading of the nature of the under-development of problem regions. Here public sector growth provides a palliative for the long standing under-performance of the private sector that has resisted the regional policies of successive governments. Today, the emphasis from government on improving public sector efficiency and the adoption of private sector practices means it is more difficult to sustain the notion that the public sector is inherently inefficient. It is also possible (as we have argued above) to target relocations in such a manner that the growth of the public sector in the regions assists local entrepreneurship, say by promoting a centre of expertise and skill for developing new services linked to Government Direct. In any case, any potential problems may be mitigated where the number of mobile public sector posts is small relative to the size of the urban or regional economy. Any negative effects on destination regions are likely to be small where there is a slack labour market and sustained high levels of local unemployment, and are likely to be swamped by the beneficial effects of increased employment opportunities (Jefferson and Trainor, 1996). However, it will be important (as argued above) to be sensitive to the impact of government dispersal at the local scale on the demand for property and labour.

Sensitivity to the Impact of Relocation on Host Regions

The relocation of public sector work also needs to recognise the potential negative impacts from decentralisation on origin areas in London and the South East. This is a relatively neglected area of office location research. It is clear, however, that though relocation is usually taken to meet employers' business needs it has significant impacts on the individuals involved, their families and through them the origin economy. Research also shows those involved in relocation have a wider range of living arrangements and a greater diversity of family circumstances than hitherto, and partners' employment has become a more prominent issue (Green and Canny, 2003). The impacts of government office dispersal on London and the South East are likely, therefore, to be more complex than previous rounds of decentralisation.

It is clear that relocation should take care not to undermine London's international position as a financial and corporate head quarters centre by moving civil service offices that such organisations find attractive. The significant growth of professional white collar jobs associated with finance, business services and creative industries (many taken by long distance commuters), together with long term blue collar job loss, has left London with high levels of income inequality, and pockets of unemployment and social deprivation particularly in the east and south of Inner London (Hamnett, 2003). The South East has the advantage of high levels of economic growth, and its RES focuses on the pressures associated with development. However, it is a diverse region and there are pockets of unemployment and deprivation across Kent and in the coastal urban areas (John et al, 2002). It is important that relocation does not increase these problems.

This suggests that the approach towards the decentralisation of government work from London and the South East should be selective and tactical. It should be selective in the sense that it recognises that there is a clear business case for certain functions to remain close to London (eg the office of the departmental Permanent Secretary, press and communications functions, functions tied to London's financial sector and international role). Relocation should also focus specifically on those areas of the London labour market where the public sector is experiencing the greatest difficulties of operation. Identifying these areas in this research has been constrained by the lack of locationally specific data on entrants to and resignations from the civil service. However, on the basis of our discussions with departments considering relocation from London and the South East we believe the bias should be towards specific senior management and professional and technical occupations and entry level occupations experiencing recruitment difficulties. Relocation should be tactical in that it should focus on 'hot spots' in the South East regional economy (eg the M4 corridor) rather than encourage relocation from across the region. It should also avoid relocations out of labour markets in London and the South East where there is high unemployment, especially among ethnic minorities. The latter will be important where the civil service is a significant ethnic minority employer.

Relocation and Regional Economic Strategies

To fully take account of the strengths and weaknesses of regional economies, public sector relocation should be connected to and support Regional Development Agency (RDA) Regional Economic Strategies (RES). The nine English RDAs each published economic strategies for their regions in late 1999, and subsequently revised them in 2002. These strategies are the closest to a public domain statement of where each region believes its strengths lie. Until 2002, the RDAs were limited to tailoring national strategies for regional consumption. Since the publication of *Productivity 3: The Regional Dimension*, in 2001, and the launch of the 'Single Pot' the RDAs have had free rein to consider strategies which are not localised versions of national strategies. The RDAs have all been active in painting a picture of the kind of contribution they envisage their regional economy making to the national economy.

On the basis of an analysis of the RESs, we identify the following general implications for public sector relocation:

- Ø The impact of relocation can be maximised where it builds on the presence of existing civil service strengths in the regions including agency head offices and specialist bodies referred to earlier in this report.
- Ø Several RDAs are seeking to upgrade their technical capacity and highlight the highly centralised nature of government research and development (see Table 8), and therefore public sector relocation in this area can particularly benefit the regions.
- Ø It is possible to link relocation and security concerns and to use the former to create back-up facilities in the regions, or to move sensitive sites away from London where they are arguably less high profile and less vulnerable to terrorist threat.
- Ø It is important that those responsible for civil service relocation liaise closely with agencies responsible for local economic development and planning.

A number of the regional strategies are set out in detail, which makes it possible to deduce some regional priorities for government dispersal:

- Ø London: retaining those civil service activities central to international strengths, whilst removing pressure on housing, transport and regional inflation by decentralising jobs from the capital. Also dispersing jobs to other parts of the capital where there is less pressure such as Thames gateway and other development areas.
- Ø North East: improving the employment structure of the region by creating high productivity jobs in professional services which raise demand for knowledge-intensive business services.
- Ø South West: creating jobs in a way that is accessible to the people in the most deprived communities, principally in Bristol.
- Ø West Midlands: as the geographical central region, the West Midlands sees itself as a region which can have positions which liaise between central and local / regional administrators
- Ø Yorkshire and the Humber make explicit reference to the attraction of public sector activities.

Beyond these regions, it is necessary for the Lyons Review Team to look more closely at the RDAs' strategies to find where precisely regions have the kinds of regional knowledge pools that can add value to the civil service units considering relocation, and which are likely to be significantly augmented by the addition of the highly-skilled administrative staff under review. A challenge for future relocations will be to capture and reinforce local knowledge and skills, whilst ensuring that the new organisational structure of the civil service remains well-placed to deliver the government's commitments expressed through its Public Service Agreements. To indicate areas where such synergies can be achieved it is conceptually helpful to think of public sector relocations in the following way:

- Ø *Big relocations.* There are very few of these suggested directly by the RESs; but the Met Office move to Exeter makes sense in light of the RES.

- Ø *National expertise campuses.* This model suggests that rather than large decentralisations, smaller elements of the national civil service are relocated to where there is local knowledge or expertise.

- Ø *Bigger Government Offices.* This model is one in which policy-making within Whitehall is significantly re-oriented towards involving the Government Offices at all stages of spatially-variegated policy formulation. In this, particular Government Offices would lead the co-ordination of regional responses by thematic area.

- Ø *Government Office Hosts.* This model of relocation sees the Government Office take on a hosting role for particular national elements which are moved to where they can access particular local knowledge pools. Because these are likely to be at the level of teams undertaking policy reviews, these are likely to be small scale and *ad hoc*, and based on secondments rather than full relocations.

Table 9 provides an indication of the regional civil service strengths that could be used to steer these different approaches to civil service relocation. It presents location quotients for the English regions comparing their share of national employment in each civil service department with the region's share of national total employment¹. It thus indicates civil service departments in each region that are over-represented relative to regional total employment (ie have a location quotient greater than 1). Obviously, given the current concentration of the civil service in London, the capital has across the board over-representation in 14 out of 22 civil service departments shown. However, of more interest is the fact that it shows there are distinctive 'clusters' in provincial regions where several civil service departments are over-

¹ The location quotients for each region are calculated as the percentage of national employment in each civil service department in that region divided by the region's share of national employment. Where the LQ is more than 1 regional employment in that civil service department is over-represented relative to the national distribution of total employment.

represented. For example, in the South West the Ministry of Defence (MoD), Department of Environment, Food and Rural Affairs (DEFRA), the Land Registry and the Department of Transport, Local Government and the Regions are all over-represented. In the North West the Health and Safety Executive, Inland Revenue (IR) and (DWP) are over-represented relative to the region's share of total employment. In the North East, the Inland Revenue and DWP are again concentrated along with the Prison Service. It is clear that IR and DWP are both using the North West and North East of England as major data processing centres. Yorkshire and the Humber has a more widespread over-representation of civil service departments, that includes particularly the Department of Education and Skills and Department of Health (location quotients more than 2), but also DEFRA, the Prison Service, DWP and the Inland Revenue all have location quotients of greater than 1. The Eastern Region has a distinctive over-concentration based on the Customs Service and the Foreign and Commonwealth Office. Supporting these groupings of civil service departments by relocation could add to existing regional strengths, promote regional joining up within and between departments and help to develop a stronger regional civil service. The South East also has a limited range of strengths in Ordnance Survey, MoD and Customs and Excise and these should also be taken into account in any relocation exercise.

Improved Modernisation of the Public Sector

The Lyons Review is focused on civil service departments, and therefore this section of the report analyses the location of the civil service in detail. There is less information in the public domain on public sector bodies sponsored by departments but the report analyses their location as far as possible. Overall the report shows that the higher echelons of the civil service are heavily concentrated in London, and that connecting the relocation of public sector work with attempts to build up a stronger regional civil service can bring improvements in the operation of the public sector.

The Location of the Civil Service

Civil service employment is widely spread across the country, and previous research has shown 21 centres, including both the major provincial conurbations and a number of smaller centres, account for approximately half of (white collar) civil service employment (Marshall, 1996). Nevertheless, the civil service is heavily over-represented in the capital relative to total employment. London has 41 civil servants per 1000 employees compared to an average of 31 per 1000 for England as a whole (Table 10). The North East of England is the only English region with a comparable representation of civil service employment in total employment to London. Indeed it has 47 civil servants per 1000 employees, undoubtedly indicating the impact of previous programmes of government dispersal on regional employment. Other regions range from 18 civil servants per 1000 employees in the East Midlands to 36 per 1000 in the South West. On this measure the number of civil servants per employee in the South East at 25 per 1000 is below the average for England.

The drawback of measuring the concentration of civil service employment in this manner is that it is influenced by changes in total employment that reflect the performance of other sectors. Thus, the poor performance in manufacturing and private services in the North East means that civil service employment appears as a higher proportion of total employment. Alternatively the under-representation of civil servants in the South East partly reflects the strength of the private sector in the economy. Civil service employment per 1000 employees also takes no account of differences in unemployment and activity rates. If we are concerned with the equitable distribution of civil service employment, then, it is appropriate to standardise for the population of working age (Jefferson and Trainor, 1993). Using the number of civil servants per 1000 population of working age as a measure of concentration reduces the scale of the regional differences in civil service employment presented in Table 10, but it confirms the broad picture discussed above. Again London and the North East have the highest representation of civil service employment (18 and 19 civil servants per 1000 population of working age respectively). The South East is again under-represented relative to the average for

England (11 civil servants per 1000 population compared to 13 per 1000), and the lowest representation of civil servants is found in the East Midlands (8 civil servants per 1000 population).

This over-representation of the civil service in London is underpinned by important regional differences in the character of civil service employment. The higher echelons of the civil service are overwhelmingly concentrated in London. Table 11 shows the capital has a higher proportion of its civil service employment in all grades above the level of Senior Executive Officer (SEO) than other regions. The Senior Civil Service has negligible representation outside London. Some 81% of the English Senior Civil Service is based in the capital and 49% of the employment in Grades 6 and 7. After London, the South West and Yorkshire and the Humber have the largest shares of grade 6 and 7 in total employment, and along with the Eastern region they have the largest shares in the Senior/Higher Executive Officer (SEO/HEO) grades. The most obvious contrast is with the North East of England where 67% of the regional civil service is in the Administrative Officer/Assistant (AO/AA) grades and the North West where these employees account for 60% of the regional civil service.

The impact of this spatial concentration on labour costs is shown in Table 12 where regional median salaries for London and the South East at £21.7K and £18.6K pa respectively are well above the national average of £17K. In London's case these differences are not produced simply by grade mix, because median salaries for each grade in the civil service are higher in the capital than elsewhere, indicating the influence of the London weighting on salaries and the fact that staff are probably higher up the scale than their counterparts in the provinces. This undoubtedly reflects the impact of the buoyant local labour market and costs in the capital on salaries. It is worth also commenting briefly on the North East of England and Merseyside that have the lowest median salaries for civil servants in England (£14.8K and £14.9K respectively), and are consistently providing the lowest median salaries across all SEO/HEO EO and AO/AA grades.

This pattern of employment by grade in the civil service is not surprising given the concentration of civil service departmental head offices and other public sector bodies sponsored by departments (eg English Heritage, UK Sport, Independent Television

Commission) in the capital (Table 13). All 20 departmental head offices are in London, though Yorkshire and the Humber jointly shares a headquarters. Of the 310 public sector bodies sponsored by departments recorded in the Civil Service Year Book, 79% are either located or based in London. It is clear that such organisations need to be closely considered in the Lyons Review. The spatial concentration of senior decision making is less strong in the agencies created in the last 10 years or so. Agency head offices are found in all regions, though London has the lion's share (55%). The South East region followed by the South West has the largest number of agency head offices at 14 and 11 respectively. At the other extreme are the North East and the East Midlands that have only one agency head office and 4 public sector bodies based in each region. Table 13 is based on the ultimate responsibility for head and regional office functions, and the picture it presents is obviously a simplification of reality. In practice the individual levels of the departmental hierarchy frequently spread across more than one site, including some locations outside London. To show this we have examined the location of the Department of Work and Pensions (DWP), the largest department accounting for almost one quarter of the civil service, in more detail (Table 14). The merger of the Department of Social Security and the Employment Service into the DWP means that individual functions are spread across numerous locations indicating a spatial fragmentation of the civil service and a need for consolidation.

Changes in the definition of regions, changes in the scope of the civil service itself and adjustments in the way data is presented in Civil Service Statistics make detailed analysis of civil service location difficult. Nevertheless, it is clear that as a consequence of the various programmes of relocation of public sector work from London, and numerous incremental locational adjustments made by individual departments civil service employment has decentralised from London and the South East over the last thirty years or so (Table 15). Between 1976 and 1997 civil service employment in Britain declined substantially nationally from 763,000 in 1976 to 496,000 in 1997, as successive governments sought to reduce the size of the public sector by expenditure and manpower controls, efficiency savings, privatisation and contracting out. During this period civil service employment in London and the South East declined faster than elsewhere. London accounted for 23% of civil service employment in Britain in 1976, but only 19% in 1997. The South East possessed 16%

of the national civil service in 1976 and 14% in 1997. We conclude from this data that there is evidence that civil service departments have been over time adjusting their locational profile to reduce their dependence on London and the South East over and above the numbers of jobs relocated from London in government dispersal programmes. Table 15 presents employment change in the civil service by region between 1997 and 2002, when the data is not so seriously distorted by changes in the scope of the civil service. Overall in a period when civil service employment increased again nationally (to 516,000 by 2002) the long term decentralisation trend continued. The most rapid growth in civil service employment is recorded away from London and the South East, most notably in the Eastern, North East and Merseyside regions. Employment in the South East continued its relative and absolute decline and by 2002 it accounted for 12% of civil service employment nationally, though interestingly the civil service increased by 200 jobs in London between 1997 and 2002.²

There is considerable variability between departments in terms of their concentration of employment in London. The Treasury and the Department of Culture, Media and Sport have close to 100% of their total employment in the capital, and more than 75% of the Cabinet and Foreign and Commonwealth Office employment is in London, compared to 1% for the Royal Mint and Ordnance Survey (Table 16). With the exception of the Foreign and Commonwealth Office these departments employ small numbers. Looked at in terms of absolute numbers, the main civil service employers in London are the Department of Work and Pensions with 14,000 staff in London, and the Home Office and Inland Revenue with 10,000 and 7,000 staff respectively. These departmental differences reflect a number of factors including the strong pull of Whitehall for advisory and policy jobs, the influence of extensive regional office networks in a number of departments, or the fact that departments such as the Prison Service and Ministry of Defence have substantial facilities in the regions. However, some of the concentration of civil service employment in London is the result of incremental historical decisions that have been taken without a full consideration of

² It should be noted that data on employment published in Civil Service Statistics includes both non-industrial and industrial civil servants (which are declining nationally) but excludes employment in many public sector bodies sponsored by departments. This may mean that growth of white collar employment in the capital is underestimated.

the cost implications. Increasingly developments in technology are offering new locational options for some of this work.

The Impact of Information and Communications Technology on the Location of Government

The Increasing Importance of Information and Communication Technologies in Government

Over time improved physical communications have allowed public sector offices to locate some distance away from their client population. Developments in information and communications technology (ICT) further extend this ability to provide services at a distance, and create new opportunities to relocate public sector work from London and the South East. In the 1970s and 1980s, mainframe computers facilitated the development of large back offices for the processing of information. In recent years, following trends in the private sector, the emphasis has shifted towards more distributed technologies and the communication properties of ICTs have become more significant. A new generation of ICTs including, scanning technologies, Automatic Call Distribution Systems, intelligent network systems, video conferencing and Customer Relationship Management (CRM) technologies, are facilitating changes in the way in which work is organised in the civil service. Government's modernisation agenda depends heavily on using ICTs. Increasingly, ICTs are seen not just as a means of communicating within government, but as a means of communicating with citizens. The goal of public services that are available 24 hours a day, seven days a week relies upon ICTs. 'Joined up' government also depends crucially on the creation of internal ICT systems that allow flows of information within and between departments (and local authorities). CRM systems, for example, allow organisations to electronically capture information from customers that can be accessed and processed by front office and back office workers. Furthermore, ICTs also facilitate the outsourcing of tasks and therefore also facilitate data flows between organisations.

ICTs and Location

Drawing on private sector experience from activities that are analogous to the public sector, it is clear ICTs are being designed to underpin certain functional and locational configurations. These include:

- Ø A reduction in the number of customer-facing local offices, with the remaining offices integrating customer service with increased sales activities. Such offices may have more staff or there may be an intensification of work.
- Ø The hiving off of non-customer facing activities (back office processing activities) to specialist sites. This generally involves the relocation of work to a small number of large centres that employ high volumes of staff.
- Ø The creation of what are effectively specialist back offices, known as shared service centres, where functions such as accountancy and legal activities are brought together at a single site to serve a national, pan-European or even global market.
- Ø The creation of large specialist telephone call centres that deal with customer queries, which increasingly tend to be carried out by phone. 'Multi-media contact centres' are increasingly supplementing call centres, as organisations attempt to handle customers through email or over the Internet. These activities may be located at call centres or elsewhere.
- Ø The creation of 'virtual single offices' (call centres or back office activities) that use ICTs to allow a number of sites to function as if in a single office. These offices can involve reorganisation of existing offices in situ, the linking of offices at new sites, or a combination of the two.

We conclude from this analysis that there is considerable scope for the further utilisation of ICTs to reinforce the relocation of government work from London and the South East.

The Example of Call Centres

The best researched new organisational format is call centres. Research findings to date suggest that call centres in the private sector are found in all British regions. There are, however, spatial concentrations, particularly of large call centres. Those places that appear to 'punch above their weight' are North West and North East England and Scotland (Income Data Services, 2000). At the county level, the highest levels of call centre employment are found in South Glamorgan (Cardiff), Lothian (Edinburgh), Strathclyde (Glasgow) and Tyne and Wear (Newcastle and Sunderland) (Bristow et al, 2000). Call centres are mainly an urban phenomenon, though there is evidence that they are moving to smaller urban areas. Rural areas tend not to have much representation, but examples such as the Highlands of Scotland can be found (Richardson and Gillespie, 2003). Over the past couple of years a number of high profile companies have transferred call centre work offshore, mainly to India, where salaries are about 10 per cent of those in Britain. In addition to call centre work a range of several activities that are similar to those performed in the civil service have gone offshore. Examples include insurance claim processing; accounts reconciliation, credit assessment, basic research and product development. This trend represents a future threat to routine employment in call centres in British regions.

The main factors explaining the location of call centres are the following:

- Ø A plentiful supply of (predominantly female) labour capable of offering services (up to) 24 hours a day, at a relatively low cost. This is the most important factor, as labour costs comprise around 60-80% of costs.

- Ø The presence of advanced telecommunications suitable for data and voice transmission. There are now few places in Britain where such technology is not available.

- Ø The timely availability of suitable property. There is a trend in favour of locations in out-of-town/edge-of-town property. This may merely reflect the current availability of reasonably priced property and parking. However, there are cities (Birmingham and Glasgow), that have concentrated call centres in the city centre. Here good public transport is important to extend the labour pool.

- Ø Fiscal and grant incentives. There are concentrations of call centres in areas where public subsidy is available, for example, in Enterprise Zones (Hitchen, 2003; Richardson and Gillespie, 2003).

Call centres are becoming increasingly important in government. This trend is likely to continue as call centres represent an ‘easy win’ for departments, agencies and local authorities as they attempt to meet government targets for electronic service delivery. Surveys show that the telephone is the most popular way for citizens to contact government and many regular customers for government services do not have access to the Internet and other electronic channels.

In June 2003 government departments operated over 130 call centres, employing around 15,000 staff (House of Commons Committee of Public Accounts, 2003). Departmental call centres are distributed throughout the country. There is a high proportion in the South East of England, but in terms of volume of calls distribution is more even across the country. A few are based in London but these are relatively small, such as the DTI Industry Enquiry Unit that has 13 agents. Larger call centres have tended to be based in the North of England or Scotland. It is likely that the current distribution of call centres mainly reflects the existing pattern of large civil service offices and that many call centres result from existing staff transferring from other jobs in situ (eg Inland Revenue at East Kilbride – Fisher, 2003).

This situation could change as the government increases the use of electronic delivery mechanisms, and departments and agencies modernise. According to the Office of the e-Envoy, government has not “specifically sought to encourage call centres to be based away from London, but its new guidance would emphasise the importance of giving sufficient consideration to costs as well as the availability of staff with the

necessary skills in determining the location of call centres.” This suggests that call centres (and probably other similar activities) will increasingly move beyond London and the South East. Indeed some recently established call centres have appeared to replicate the behaviour of the private sector. For example, both the Inland Revenue and the Department of Work and Pensions have located call centres in the former coalfields of Durham, in Easington District.

However, it is possible in “some cases call centres might still need to be located in London despite higher costs” (House of Commons Committee of Public Accounts, 2003; 6) where local knowledge or language skills are required. It is also likely that some departments will reorganise activities within regions rather than on a national basis. For example, NHS Direct is organised on a regional level, as is the Employment Services customer service function. To date, no government call centres are based abroad. Forty-five call centres are contracted to the private sector to manage. Decisions on outsourcing are a departmental matter. This could ultimately result in the transfer of activity offshore. However, the Passport Agency and the Environment Agency, both of whom outsource their call centres, claim that the location of their outsourced call centres has to be agreed with them, and there is no risk of the contractor deciding to base them overseas (House of Commons Committee of Public Accounts, 2003; 15).

Inter-connections between Organisational and Spatial Concentration

Public sector dispersal from London has been deeply influenced by the organisation and subsequent reform of the civil service. Between 1945 and 1976, there was an almost continuous growth of white collar civil servants. The highly centralised and strongly hierarchical nature of the civil service, where both officials advising ministers, senior administrators in departments concerned with policy delivery and their staff were all concentrated near London, resulted in this growth in demand for labour being experienced predominantly close to the capital. Spatial relocation was used as a solution to organisational centralisation (Winkler, 1989). It was facilitated by the degree of hierarchical-functional specialisation within the civil service that

allowed parts to operate quite effectively away from the capital. The identification of self-contained blocks of work for relocation was assisted by the expansion in the 1960s and 1970s of back office work linked to the introduction of central computer mainframes. However, though such spatial decentralisation provided employment in provincial regions, it also as we showed above reinforced the spatial division of labour emerging in the private sector where senior professions and managers were concentrated close to the capital, while less-skilled (and less well paid) work was more widely dispersed. Though this process of organisational-spatial centralisation has historical roots it has a powerful influence today as can be seen in our earlier analysis and in recent changes in the Arts Council and proposed changes in the Department of Culture Media and Sport. In both cases local functions were organisationally centralised from the regions and in the former case located in London and the South East (Table 17).

Today this spatially centralised and hierarchically organised civil service, combined with buoyancy of the private sector in London and the South East, acts as a break on staff mobility and the effective deployment of staff in the national public service. London still acts as an 'escalator' region attracting civil service staff from the provinces as they rise up the promotion ladder. Subsequent mobility for such staff is then more likely close to the capital where the job opportunities are greater. However, it is becoming more difficult to attract staff to the capital because of the high costs of living in London and the South East. Existing specialist and professional civil servants in London are more difficult to retain because of the availability of alternative job opportunities in the private sector near the capital. The spatial separation of many junior and senior functions also means that it is more difficult to promote through the ranks in London. Though employees in the capital are able to improve their standard of living by relocating to the regions, this is only really attractive if they are unlikely to wish to return to London in the future. In the regions mobility between departments is restricted by the lack of regional opportunities above the junior ranks in the civil service, and arguably this segmentation of the civil service is reinforced by the growing diversity of salaries, terms and conditions in the civil service (see below). Government should, therefore, seek to promote via relocation the development of what might be called more 'sustainable locations' of civil service work in provincial regions that contain a fuller occupational pyramid. Over-time, this might

mark a move towards a stronger regional civil service, if the growth of more senior grades outside London were linked to the creation of centres of specialisation or expertise in the civil service outside London, akin to the regional structure that is often found in large accountancy or consultancy organisations. This would then reduce the need for civil servants to travel back to London from the provinces to conduct their business, and it would in turn make further relocation more economic.

Organisational Change in the Civil Service

The current proposal to relocate government work from London and the South East must also take account of the changes that have taken place in the traditional organisation and management of the civil service. The organisational character and administrative implications of these reforms are well known. They consist of new internal financial controls, extensive computerisation, the devolution of management responsibilities, and prolonged extensive 'Change Programmes', all introduced in a sustained attempt to reduce costs while maintaining or increasing public service output (Hoggett, 1991; 1996). Since the 1980s, the public sector has also been subject to increased market discipline by contracting out, benchmarking, market testing and best value initiatives. In the 1990s, in an attempt to create a more clearly focused organisation responding to market-like signals, civil service departments were broken up into organisationally distinct and semi-autonomous agencies. The more commercial approach to management in these agencies has been paralleled by a move away from national collective bargaining. Rates of pay have been amended to reflect individual performance, and pay structures and conditions of employment have been adapted to meet the particular needs of individual parts of the civil service. In this context, not surprisingly, relocation in the late 1980s and early 1990s was part of a 'market driven' exercise where individual departments and agencies made their own decisions, on the basis of a commercial assessment of the costs and benefits, rather than a centrally planned procedure. Since 1997, the momentum of restructuring, cost control and performance measurement has been maintained (Cabinet Office, 1999; HM Treasury, 1998). However, in response to the fragmentation associated with the Next Steps reforms, ways have been sought to 'join-up' government functions across

departments and agencies, to improve the delivery of services by simplifying public access and reducing the duplication of work within the civil service.

Relocation must clearly be sensitive to the need to deliver on the Government's modernisation agenda and certain functions and people will be too critical to modernisation to disrupt. There may also be changes already afoot that constrain the ability to relocate. An example of this might be the ongoing reorganisation of Jobcentre Plus to bring together employment and benefits staff. However, it is also possible where modernisation schemes are at an earlier stage of development that they can be used to promote the aims of Lyons, say by ensuring that the 26 call centres being introduced for Pensions Credits are based in appropriate locations. It might also be possible where efficiency savings are being made through modernisation that these are tailored to meet the locational requirements of the Lyons Review.

Changes in the organisation of government make the current context for relocation more complex than previous rounds. Departments such as the Department of Work and Pensions are involved in complex subcontract arrangement with private sector organisations for the management of their office space (eg in the former Employment Service), and this is associated with financial and occupation commitments. Several departments have subcontracted out their IT infrastructure to the private firms such as EDS where contractual arrangements may also affect the business case for relocation. However, despite these complexities we believe it is still possible to take a comprehensive and co-ordinated approach towards the development of the civil service outside London as shown in the Newcastle Estate Development. This redevelopment scheme carried out by the Newcastle Estate Partnership co-ordinates the requirements of the National Insurance Contributions Office, the Child Support Agency, the former Benefits Agency (now part of DWP), the Child Benefit Centre and the Information Technology Services Agency (Table 17). Such a co-ordinated approach is necessary in the Lyons Review because civil service departments will need to review their national estate, and the Review could be used to facilitate consolidation and a more rational arrangement of functions across their offices. If these different exercises are co-ordinated then departments may be able to release space to or share facilities with each other.

More fundamentally, the Lyons Review poses the question, is it possible to connect relocation and the shift towards flatter more dispersed forms of governance, and whether a less centralised civil service can promote better public sector outcomes? This issue is at the edge of current academic understanding and it is not possible to provide a definitive answer. It is clear devolution has had a profound impact on the civil service and local employment in Scotland (McQuaid, 2001). Of more interest from an English perspective is the Welsh situation, because Wales has neither the same tradition of independence, nor has it been granted the same autonomy as Scotland. Since 1998 civil service numbers in Wales have increased by approximately 1,500 as a consequence of the expansion of new responsibilities such as overseas trade, the development of new policy areas such as community regeneration and mergers with existing bodies involved in health, housing, farming and rural conservation. There has also been a shift from a purely administrative civil service to a service with a greater policy concern and requiring more local knowledge. More tentatively, it appears a more independent Welsh civil service is developing with a stronger emphasis on local recruitment and career trajectories (as is also found in Scotland). Over time it is envisaged that Wales will develop a cadre of civil servants with experience of the public sector in Wales and moving from one form of organisation to another (Osmond, 2003).

The position in the English regions is obviously less advanced, but Lyons could contribute to a similar process of building up the capacity and upgrading the skills of the regional civil services in England. The government's proposed regional devolution, outlined in the White Paper '*Your Region, Your Choice*' (published in 2002), coupled with the announcement in 2003 that referendums will be held on elected Assemblies in three northern regions in 2004, raise new challenges for public policy. Chapter 2 of the White Paper proposes additional administrative devolution primarily to Government Offices, especially in the field of policy development and 'joining up' activities at the regional level. As a result of the planned reforms (non-elected) regional assemblies will take on responsibilities for the preparation of Spatial Development Strategies. In regions electing for directly elected assemblies additional responsibilities across a range of policy areas will be assigned to assemblies. Taken together, these new responsibilities represent a formidable set of challenges for the English regions, and require a strengthening of the regional tier of the civil service.

Such a change would also respond to the Government's own research, such as the Performance and Innovation Unit (2000) report '*Reaching Out: The Role of Central Government at the Local and Regional Level*', which suggested that greater coordination of government activity at the regional level, could lead to better public policy outcomes.

Research by CURDS has highlighted the need to further build up skills and capacity shortages within the emerging structures of regional governance in England if the objective of improved public policy outcomes is to be attained (Tomaney and Humphrey, 2001; Tomaney, 2003). The traditionally highly centralised system of policy-making in England means that much of the capacity and many of the skills sets required to successfully operate the new architecture of regional governance are more likely to be located in Whitehall than the regions themselves. In thinking about the relocation of civil service jobs, it is important to assess the degree to which this could assist not just cost reduction and regional economic development objectives, but also the degree to which it could bolster governance capacity at the regional level in ways which bring government closer to the people in order to improve policy outcomes. The Rural Delivery Review, chaired by Lord Haskins, has strongly emphasised the role of devolution in making services more transparent and accessible to rural businesses and rural communities, and visitors to the countryside. Haskins has also called for simplification of the complex range of agencies currently engaged in delivering the government's rural policies and for better co-ordination of the environmental, social and economic elements of rural delivery at a regional level. The Haskins review implies a radical regionalisation of DEFRA. While the focus of these recommendations is rural policy, the principles could be extended across a range of policy functions, especially those scheduled to be devolved under the terms of '*Your Region, Your Choice*'.

Regional Pay

Finally, it is worth making a comment on the issue of regional pay. It was argued above that there is considerable variability in salaries, terms and conditions of employment between departments and agencies. Individual parts of the civil service

have used the flexibility provided by the devolution of responsibility for salaries down to the departmental/agency level to respond to problems of recruitment in London and the South East by introducing special pay zones and in some instances creating special grades of staff, in addition to the traditional salary weighting for London and the South East. There is clear evidence from our work that this has reinforced substantial differences in regional pay levels between the capital and the regions. In this context, it is unnecessary to connect relocation and regional pay to reduce the cost of the delivery of services on decentralisation. Indeed to seek to develop regional pay is likely to create antagonism at precisely the time that the co-operation of staff is needed to facilitate relocation. Staff that relocate with their work from London and the South East should be assured that their existing salary arrangements are maintained (though the London weighting would gradually be eroded). Following relocation new staff employed in the destination area will often be on lower points of the scale and in some instances on different scales from their counterparts close to the capital and this will reduce labour costs. It should be noted that further reducing civil service pay at the regional scale risks reducing the regional benefits associated with relocation by depressing consumer multipliers. It also may prevent the civil service using the relocation to improve the calibre of employee attracted and improve the quality of service provided.

Conclusions

Summary of Key Points

Spatial Concentration of the Civil Service

We demonstrate that the civil service and related parts of the public sector (and especially its most senior staff) are heavily spatially concentrated in London. In contrast, in the regions the civil service is disproportionately made up of junior staff. The relocation of civil service work from London has been cyclical and has responded primarily to increases in property prices and the tightening of the labour market in the

capital. Since 1963 approximately 69,000 jobs have been relocated predominantly from London to the regions. Very few senior grades have been dispersed, and the bulk of relocated work has involved administrative assistant / officer grades.

Relocation Reduces Operating Costs

The pattern of relocation has reflected the availability of savings in operating costs (primarily labour costs and office rents) that can be achieved from relocation from London. In a highly respected study of the ODA dispersal from London to East Kilbride these savings were estimated at £15 million (in 1987-8 prices). CURDS research in the early 1990s, based on a comparative cost model for the proposed decentralisation of a head office suggests that estimated cost savings of the order of approximately £6 million (1989-90 prices) were available at that time in a variety of provincial cities. We have updated this research, and confirm that such civil service relocation could achieve significant savings today. We also conclude that the geography of locational costs has changed since the 1960s and 1970s. The growth of the South East means it is necessary to go further out to achieve the greatest cost savings (beyond 80 miles). We also argue that substantial cost savings are available even for the relocation of a communications intensive head office to the regions.

Case studies of a number of relocations confirm the broad thrust of this analysis, and indicate that improvements in business operation can be achieved by relocation. A hypothetical feasibility study of a civil service office wishing to relocate to the regions from London suggests that suitable office space (or land for development) and labour are available in provincial cities and the quality of life requirements of staff can be satisfied.

A Strong Regional Case for Relocation

Analysis of the location of public bodies should be based on a wider economic analysis than simply operating costs. There is a strong regional case for relocation of the public sector from London and the South East. With high levels of unemployment, lower wages and property prices, the opportunity costs of investment in the public sector (rather than the private sector) are clearly lower in provincial regions than

London and the South East. Relocating mobile public sector employment can increase demand in problem regions, reduce unemployment and utilise under-employed factors of production in such regions. The British economy is highly imbalanced with more rapid economic growth in London and the South East, which produces simultaneous overheating in these regions and underutilisation of infrastructure and human resources elsewhere. A shift in the public sector from London and the South East can have a positive impact on the fortunes of lagging regions, whilst also freeing up some capacities in London and the South East and reducing inflationary pressures there.

Relocations involving a significant number of professional and senior administrative jobs would address the under-representation of such occupations and skills in weaker regions. Such relocations would help to bolster public sector skills and local/regional institutional capacity. There are also important multiplier effects on increased consumer expenditure and increased local purchasing of goods and services associated with public sector relocation. Taken together, this evidence suggests that dispersal of the public sector can contribute simultaneously to national economic growth, and to a reduction in the persistent gap in growth rates between the regions. However, it is important for policy to acknowledge that relocations that damage the economies of London and the South East would be inconsistent with this target, and therefore a careful appraisal of the impact of public sector relocations on the host economy needs to be conducted.

Civil service relocation can also enhance regional knowledge-based clusters in the regions. In this context, the relocation of civil service jobs could be used in a targeted and strategic way to build upon the different strengths and potentialities that exist in the regions, and would thus contribute to the attainment of each of the Regional Economic Strategies. An indicative analysis shows how a targeted relocation policy can be used to strategically ‘steer’ relocations in a manner that would bring benefits to each region. This analysis can also be used to avoid damage to the economies of London and the South East by identifying important clusters of civil service specialisation that should not be broken up and to indicate areas where relocation from London to the South East may be appropriate.

Improved Modernisation of Government

Public sector relocation can assist in the modernisation of government. The organisational-spatial centralisation of the civil service, combined with the overheating of large parts of London and the South East, means that it is difficult for the public sector to attract and retain staff because of the high costs of living there. An analysis of the impact of information and communications technology on government office location suggests that it has extended the ability of government services to operate at a distance and that this creates further opportunities for government work to be dispersed from London and the South East to the regions.

Evidence from the evolution of the civil service in Wales following the establishment of the Welsh Assembly suggests that if public sector relocation was used to promote the development of a stronger regional civil service this could via relocation change the dynamics of the spatially centralised civil service. The Lyons Review could contribute to a similar process of building up the capacity and upgrading the skills of the regional civil services in England. This could support the government's proposed regional devolution, and a strengthening of the regional tier of the civil service would respond to the agenda set by the Performance and Innovation Unit which recommended the joining-up of functions at the regional level.

Recommendations

We argue that the Lyons Review should take a long term and strategic view of civil service dispersal from London and the South East. We believe that the Lyons Review should be more than simply a one off relocation exercise, but should also contribute to a process of organisational change in government.

A Relocation Programme

- Ø Relocation from London and the South East should be centrally organised and co-ordinated in a manner that avoids local competition between departments for space.
- Ø Relocation should be facilitated by central funding to meet the initial disruption costs incurred by departments.
- Ø It should be based on more detailed Treasury Guidelines than hitherto that ensure comparative information is produced and value for money achieved from relocation.
- Ø It should be based on a co-ordinated review of the civil service estate, and should promote sharing of facilities and space between departments and agencies.
- Ø Relocations should be consistent with and help support the Regional Economic Development Strategies of the Regional Development Agencies, including managing the potential positive and negative impacts on London and the South East. It is important that central relocation guidelines are explicit about the regional case for dispersal and the need to liaise with local agencies.
- Ø Relocation to provincial regions should include significant numbers of senior management staff and not just blocks of routine clerical work. Relocation should recognise that RDAs are seeking to upgrade the local technical capacity, and that government research and development is highly spatially centralised. It is also possible for regional locations to provide back up facilities or less high profile sites to satisfy security concerns where there is a risk of terrorist threat.
- Ø Relocation from London and the South East needs to be selective and tactical to avoid potential negative impacts on the origin location. It should focus on those occupations where the civil service is experiencing the most serious recruitment

difficulties. It should not jeopardise London's international competitive position. It should be sensitive to intra-regional differences in London and the South East, and minimise relocation from labour markets, especially in Inner London and close to the south coast, where there are high levels of unemployment and social deprivation. In the South East, we recommend dispersal concentrate on 'hot spots' where the local economy is characterised by overheating and development pressure.

A Process of Organisational Change in Government

Lyons should put in place mechanisms to ensure that:

- Ø There is a presumption in favour of locating all new civil service activities away from London.
- Ø Government modernisation reinforces the movement of functions out from the capital and its environs.
- Ø Relocation of the public sector is used to promote more 'sustainable' locations of civil service work in provincial locations by developing a fuller occupational pyramid. This would help to build a stronger regional civil service based round existing centres of specialist expertise in the more devolved agencies that have head offices in all regions.
- Ø This development of a stronger regional civil service could also facilitate 'territorial joining up' by building upon the administrative and policy capacity of the Government Offices in the regions.
- Ø There are currently significant regional differences in civil service pay with average salaries for each grade lower in depressed regional labour markets. Within the South East civil service salaries have been adapted to reflect difficulties of recruitment in selected special pay zones. This reflects the ability of civil service managers to use existing flexibilities in national pay schemes to

meet the needs of the local labour market. This makes connecting dispersal to moves away from national salary scales to regional pay unnecessary. This argument is given additional weight because the co-operation of staff is required to facilitate relocation.

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APPENDIX : TABLES

Table 1: Civil Service Relocation from London and the South East and New Posts Established in the Regions, 1963-1993

	Number of posts dispersed, 1963-72	Number of posts in newly established offices, 1965-72	Number of posts located or relocated, 1973-88 ^b	Number of posts relocated, 1989-93	Number of posts in newly established offices, 1989-93	Planned relocations as at October 1993
South East	6222	2782	-	-	-	-
East Anglia	1192	-	780	295	11	640
South West	692	640	420	925	786	3892
West Midlands	279	-	290	607	1666	108
East Midlands	211	535	-	1280	133	900
Yorkshire & Humberside	783	-	2337	2793	13	1027
North West	4176	1821	3145	2847	740	249 ^a
North	3112	265	470	1935	141	-
Wales	1174	1652	818	1782	11	-
Scotland	4684	1797	2092	994	767	60
Northern Ireland	-	-	20	515	650	-
Various	-	-	1264	6	45	6
Total	22 525	9492	11 636	13 979	4963	6882

^aIncludes 139 new posts.

^bThis data under-estimates moves to the South East

Source: Hardman (1973); HM Treasury; Jefferson and Trainor (1995); Marshall (1995)

Table 2: Investment Appraisal Checklist

Aspect	Factors
Accommodation costs/savings	Land Buildings Refurbishment Fitting Out Rentals Rates Maintenance Operating Costs
Staff costs/savings	London Weighting Local Pay Additions Staff Numbers Staff Mix
Transitional costs	Transfer of Staff Early Retirements Redundancies Mark Time Payments London Weighting Buy Outs Recruitment of New Staff Training of New Staff Travel and Subsistence Relocation Team Salaries Relocation Team Overheads Temporary Accommodation Computers and Telephones Vehicles Office Machinery Furniture Removal of Equipment Parallel Manning Temporary Staff/Overtime
Continuing extra costs	Post and Telephones Travel and Subsistence Van Service Additional Information Technology Equipment Additional Staff

Source: National Audit Office (1994)

Table 3: Estimated Civil Service Relocation Costs of a Move from London to the Regions in 2003

Updating the 1989 Benchmark Scenario to 2003

Location	NPV (£m)		Pay back (years)		Work days lost per week (travel time measure)	
	1989	2003	1989	2003	1989	2003
Peterborough	8.33	6.42	5	8	4	3
Liverpool	10.23	5.58	4	9	4	9
Sheffield	8.29	5.53	5	9	5	4
Nottingham	9.41	5.51	5	9	7	5
Birmingham	7.97	4.32	5	10	4	3
Southampton	7.28	3.89	5	11	11	8
Newcastle	8.40	3.71	5	11	14	12
Leeds	7.74	3.69	5	11	10	7
Manchester	8.34	3.52	5	11	6	6
Bristol	6.17	3.48	6	11	7	6

Key assumptions of this relocation scenario are:

An office of 40,000 sq feet and 180 staff;
 42 key staff relocate;
 Contact pattern assumes 10 trips to London per week;
 Investment time horizon = 25 years;
 Discount rate = 10%;
 Normal labour turnover = 18%;
 Travel time is not assigned a cost.

This is the benchmark relocation scenario that we used in our previous analysis. The costs of relocation have been inflated to reflect current values and include: removals (£100K), recruitment costs (increased 50%), training costs (increased 50%), relocation team (1 SEO, 2 HEO, 1 typist) additional staff (increased 55%) and the retention of a London base (1 EO, 1 HEO and accommodation). An individual relocation package of £33,000 and a redundancy package based on an average of 17 years service and an average age of 45 (the data assumes 60% of staff take severance and 40% early retirement) was estimated for us by a government department based on actual downsizing exercises and using flexible voluntary terms which are greater than compulsory redundancy.

Adjusting the 2003 Estimates to reflect Regional Variation in Median Salaries

Location	NPV (£m)	Pay back (years)	Work days lost per week (travel time measure)
Liverpool	6.98	8	9
Peterborough	6.51	8	3
Sheffield	6.48	8	4
Nottingham	6.02	8	5
Newcastle	5.14	9	12
Birmingham	5.02	9	3
Leeds	4.64	10	7
Manchester	4.38	10	6
Southampton	3.44	11	8
Bristol	3.39	11	6

Key assumptions:

The post move salary figures for our selected civil service department are adjusted (by an index) to mirror the regional differences in actual civil service salaries by grade in Table 10. Effectively this assumes that in local labour markets with lower average civil service salaries it is possible for the service to appoint staff at lower points on the national scale than in higher wage areas. It should be recognised that the 'top heavy' grade structure of the original civil service headquarters relocating in 1989-90 will still affect these results.

Table 4: Pen Portraits of the Civil Service Relocation Case Studies

Patent Office Move to Newport

This was one of the earliest relocations in the Conservative Government's dispersal programme of the late 1980s and was substantially complete by 1991. It was envisaged that demand for the Patent Office's work would decline and the relocation of 500 posts from London to Newport was seen as a way of rationalising and reducing running costs. It was planned to base staff on two sites in Newport, but in practice changed circumstances meant a stronger presence than originally intended was retained in London and additional accommodation obtained in Newport for extra staff. By the mid 1990s the Patent Office was spread across three sites in London and three in Newport.

Inland Revenue Move to Nottingham

This relocation completed in 1995 involved 1800 IR posts. Approximately 600 staff moved to Nottingham from the London area, a further 600 from a variety of other locations and 600 staff were employed locally. The aim was to create a substantial presence in Nottingham by co-locating staff from the Capital Tax, Pension Scheme, Financial Intermediaries and Special Compliance Offices, and the Human Resources and the Business and Management Services Support Division. The relocation followed an overall review of the Inland Revenue estate that indicated landlords in London were pressurising IR tenants to move or introducing short-term leases that increased uncertainty and regularly increased rental levels. The relocation project overcame a delay following qualified planning approval for an environmentally sensitive site, and the development of a revised project involving an architectural competition. Employees were accommodated in temporary accommodation in the Nottingham area from 1991 until the building was ready in 1995.

NHS Executive and Department of Social Security Moves to Leeds

Some 2100 posts in the then Benefits Agency's Central Services and Central Adjudication service, and the NHS Executive were relocated to Quarry House Leeds in 1992-3. In evidence to the Public Accounts Committee (1996) it was stated that of the 1,982 staff then accommodated at Quarry House, some 320 were recruited locally and the remainder relocated predominantly from London. This is an interesting case study because it involved the establishment of a substantial head office function for the NHS Executive doing effective work and providing career opportunities outside London. The latter was assisted by co-location with staff from the then Department of Social Security. The relocation of the NHS Executive coincided with the introduction of the Conservative Government's internal market in the NHS and the establishment of the Benefits Agency. It was intended that both organisations would be able to develop their own organisation, style and management approach, separate from Whitehall. In the words of the Director of Corporate Affairs in the NHS Executive, the move "symbolised in a very public fashion that the management of the NHS is discrete from Government ministers. Also the NHS is a service for the whole country, but one tends to associate its management with London. This move signals it is a service for the whole country" (Personnel Management, 1992). Our case study indicates that the relocation of the NHS Executive probably underestimated the pull of London and the need for senior staff to keep in touch with Ministers, and find out what is going on in the capital.

The Met Office Move to Exeter

This recent move is still incomplete but will ultimately result in approximately 1200 posts being relocated to Exeter. It is expected that 70-85% of the staff will move with the work, the majority from Bracknell. Most employees relocating are scientists or technical staff and approximately 70% are graduates. The relocation was initiated by the fact that the Met Office was upgrading its computer centre used for weather forecasting located at its Bracknell HQ. There was insufficient space for the development to take place at Bracknell, and it was decided rather than establish the computer centre on a new site, that this redevelopment provided an opportunity to bring together all Met Office staff spread across 11 sites on to one location in Exeter.

Table 5: Assessment of the Financial Costs and Benefits of Public Sector Relocation

	Overseas Development Administration	Patent Office	Inland Revenue	Department of Social Security/National Health Service Executive	Met Office
Date of Move	1981	1988-92	1995-1996	1992-3	2002-3
Main Locations Involved	London to East Kilbride	London to Newport	London to Nottingham	London to Leeds	Bracknell to Exeter
Number of Staff Relocating	427	592	1800	2100	1200
Net Present Value (NPV) Estimate Pre Move	—	£6.4m (1992-3 prices)	£47.8m	£165.1m (1993-4 prices)	—
Post Move NPV Assessment	£14.9m (1987-8 prices)	£3.4m (1992-3 prices)	£49.3m (1996 prices)	£116.8m (1993-4 prices)	—
Discount Rate	5%	5%	11.3% (12.08% for pre-move)	?	—
Period of Evaluation	30 years	16 years (10 years for pre move)	?	60 years DSS and NHS	—
Break even / Pay back year	7 th year after move	?	11 th year after move	17 th year DSS/ 19 th NHS after move (14 th year pre move)	—
Source	Ashcroft et al (1988)	National Audit Office (1994)	Inland Revenue (1996)	National Audit Office (1996)	Interview

Note: Studies are conducted at different times, adopt different methodologies and include different costs and benefits making detailed comparison impossible

Table 6: Achieving a Successful Public Sector Relocation Programme

Central Guidance

There should be clearly defined Treasury Guidelines specifying the financial parameters of the relocation programme. They should cover:

- €# The length of the appraisal period should be set to cover the 'life time' of office space before major refurbishment at about approximately 25 years.
- €# A standard checklist of costs and savings to be included in the appraisal of the case for relocation, and a clear comparable methodology on how these are to be assessed.
- €# A relocation package that covers the costs to staff of dispersal; minimises disruption and provides sufficient flexibility to meet the needs of individual departments.
- €# A sensitive handling of wider issues such as possible redundancies, and the interaction between relocation, London weighting, promotion and pay.
- €# A clear methodology for incorporating the wider regional development implications of the move.

The Relocation Process

- €# Define objectives for the relocation clearly and update these in the light of changing circumstances.
- €# The relocation should be based on a wider review of the departmental estate and operating objectives.
- €# There should be a thorough locational search appraising a number of alternative locations and this should be reviewed if circumstances change.
- €# The relocation team established to conduct the move should have suitable expertise, be provided with appropriate training and supervise the project closely. Rigorous tendering involving a number of contractors should be carried out.
- €# The use of specialist consultant advice should be carefully considered and supervised.
- €# There should be a clear plan to deal with the timing and disruption associated with the move.

Post Project Review

- €# Evaluate the relocation against original (and modified) objectives.
- €# Evaluate the relocation against the current view of estate strategy to ensure its continued validity.
- €# Review the impact of relocation on operating efficiency.

Source: National Audit Office (1994); National Audit Office (1996); Public Accounts Committee (1996); Green and Canny (2003); Interviews

Table 7: Investment Grade Property Rentals by Region and City, 2002

	ERV 2002
Region	
London	£ 20.6
South East	£ 13.5
South West	£ 15.1
Eastern	£ 11.1
East Midlands	£ 11.0
West Midlands	£ 15.7
North West	£ 14.6
Yorks & Humber	£ 14.1
North East	£ 12.2
Town / City	
Birmingham	£ 15.5
Bristol	£ 16.5
Leeds	£ 16.0
Liverpool	£ 10.8
London - West End	£ 30.0
Manchester	£ 16.3
Newcastle-On-Tyne	£ 12.8
Nottingham	£ 12.9
Peterborough	£ 10.4
Sheffield	£ 11.6
Southampton	£ 16.1
All England	£ 16.6

Source: Investment Property Databank

Table 8: Key Regional Indicators

Region	Total GDP per head (UK = 100)	GDP per head Rank	Business R&D Employment as a % of regional labour force	Business R&D Employ. Rank	Government Establishment R&D FTE Employment as a % of regional labour force	Government R&D Employ. Rank	Estimated Rental Value 'Investment Grade' Offices £p.sq.ft p.a.	ERV Rank	Average gross weekly income per household	Household Income Rank	ODPM Housing statistics	House price Rank	Household disposable Income £ per head	Household Disposable Income Rank	ILO unemployment % Spring	Unemployment Rank	000s of vehicles per day per Km	Congestion Rank
	1999		1999		2000		2002		2001		2002		1999		2002			
North East	75.9	9	0.23	9	0	9	£ 12.15	7	£ 380	9	£ 69,813	9	£ 9,018	9	6.9	9	3.12	2
North West	85.3	8	0.52	8	0.02	8	£ 14.57	4	£ 430	8	£ 78,858	7	£ 9,501	6	5.5	6	3.85	6
Yorkshire & Humber	86.3	7	0.25	7	0.03	7	£ 14.06	5	£ 432	7	£ 76,368	8	£ 9,325	8	5.4	5	3.37	4
East Midlands	91.9	4	0.65	6	0.04	6	£ 11.04	9	£ 449	5	£ 87,280	6	£ 9,409	7	4.2	4	3.28	3
West Midlands	90.1	5	0.4	5	0.1	4	£ 15.66	2	£ 462	4	£ 97,650	5	£ 9,541	5	5.5	7	3.92	7
East	114.2	3	1.05	4	0.13	3	£ 11.09	8	£ 510	3	£ 127,858	3	£ 10,638	3	3.5	1	3.66	5
London	127.6	1	0.27	3	0.1	5	£ 20.58	1	£ 615	1	£ 182,325	1	£ 12,207	1	6.6	8	5.49	9
South East	114.3	2	0.77	2	0.21	1	£ 13.45	6	£ 586	2	£ 156,964	2	£ 11,055	2	4.0	3	4.88	8
South West	89.2	6	0.48	1	0.17	2	£ 15.06	3	£ 449	6	£ 118,639	4	£ 10,073	4	3.6	2	2.48	1
England	100		0.54		0.1	0.1			£ 496		£ 119,563		£ 10,284		4.9		3.70	

Table 9: Regional Location Quotient Analysis of Civil Service Employment, 2002

All Permanent staff (full-time equivalent) Department (including agencies)	London	South East	Total London & South East	South West	West Midlands	North West	North East	York & Humber	East Midlands	Eastern	England
Cabinet Office	4.23		2.64								1.00
Crown Prosecution Service	1.26										1.00
HM Customs and Excise	1.44	1.13	1.29							1.7	1.00
Ministry of Defence		1.56	1	3.13							1.00
Department for Education and Skills	2.47		1.34					2.51			1.00
Department for Environment, Food and Rural Affairs	1.49		1.25	1.35				1.5			1.00
Foreign and Commonwealth Office	4.18		2.22							2.22	1.00
Department of Health	2.86		1.59					2.19			1.00
Health & Safety Executive						1.71					1.00
HM Land Registry				2.14							1.00
Home Office	2.98										1.00
HM Prison Service							1.7	1.17	1.11		1.00
Inland Revenue						1.17	3.41	1.03			1.00
Department for International Development	3.65		1.91								1.00
Lord Chancellor's Department	2.21		1.43								1.00
Office for National Statistics			1.3								1.00
Ordnance Survey		4.74	2.29								1.00
Department of Trade and Industry	3.54		2								1.00
Department for Transport, Local Government and the Regions	1.47		1.04	1.3							1.00
HM Treasury	5.45		2.85								1.00
Department for Work and Pensions						1.24	2.89	1.3			1.00
Other Departments	1.33			3.11							1.00

Note: Only departments with more than 1000 employees in the region displayed

Source: Civil Service Statistics

Table 10: Regional Distribution of Civil Servants (Permanent Full-Time Equivalent Staff) in Relation to Total Employment and Population in England, 2002

Civil Servants per 1000 Employees		Civil Servants per 1000 Working Age Population
London	41.0	17.9
South East	24.7	11.2
Eastern	18.5	8.4
South West	35.5	15.7
West Midlands	22.1	9.6
East Midlands	17.7	7.7
North West	32.2	13.5
North East	47.4	18.7
Yorks and Humber	25.8	11.1
England	31.0	12.6

Source: Civil Service Statistics; Regional Trends; Office of National Statistics

Table 11: Distribution of Civil Service Employment by Region and Grade in England, 2002

	Senior Civil Service	Percentage of Regional Civil Service Employment			Administrative Officer/Assistant	Other
		Grades 6 and 7	Higher/Senior Executive Officer	Executive Officer		
London	2.8	10.7	24.2	25.1	36.7	0.5
South East	0.2	2.9	15.9	25.0	49.2	6.9
Eastern	0.2	2.9	17.3	25.1	54.0	0.5
South West	0.3	4.7	22.6	24.6	43.4	4.3
West Midlands	0.2	3.2	13.4	25.4	56.6	1.2
East Midlands	0.2	3.2	14.1	24.9	57.0	0.6
North West	0.2	3.0	11.9	24.4	60.4	0.1
North East	0.1	1.8	9.3	21.5	67.3	0.1
Yorks and Humber	0.4	4.1	16.4	26.7	52.2	0.3

Source: Civil Service Statistics

Table 12: Median Salary of Permanent Non-Industrial Civil Servants by Region and Grade, 2002

	SCS Level (£)	Grade 6/7 (£)	SEO/HEO (£)	EO (£)	AO/AA (£)	TOTAL (£)
London	68700	44460	28000	20750	16050	21760
South East	67440	43280	26180	19920	14190	18640
South West	64110	42690	26560	19450	13500	18000
West Midlands	63510	42610	25280	18970	13580	15990
North West	63490	43630	25040	18970	13240	15360
North East	64520	41580	24830	18680	13040	14770
Merseyside	65990	43960	24710	18400	12750	14910
Yorks and Humber	63800	41530	24870	18830	13800	16370
East Midlands	64680	43240	25310	18970	13740	16120
Eastern	66610	43110	25790	19240	13930	17060
Wales	62930	43350	25110	18660	13050	15440
Scotland	62920	42990	26370	19920	13130	16090
Northern Ireland	70710	42860	25920	20420	13040	15540
Overseas	70490	45250	31050	22510	17570	28820
TOTAL	67100	43370	26360	19680	13860	17060

Source: Mandate

**Table 13: The Regional Location of Department and Agency Head Offices and Public Sector Bodies
Sponsored by Departments, 2002**

	London		South		North		Yorks & Humber		East		West		Eastern		South		
	East	West	East	West	East	West	East	West	East	West	East	West	East	West	East	West	
Main Civil Service Offices																	
Department HQ	20																
Department Regional Office ¹	3	7	5	7	7	9	1 [joint with London]	6	5	9	7						
Agency & other departmental office HQ	51	14	1	4	4	6	1	3	2	11							
Agency etc. Regional Office	20	18	5	15	15	12	10	11	15								
Other Public Sector Bodies																	
HQ	14				1				1	2							
Regional Office	8	15	8	16	16	7	12	12	13	13							
Single Site	231	17	4	6	6	4	4	10	6	10							

¹ Regional Offices for DCMS, DTI and ODPM are through Government Offices for the Regions and are not included in these totals

Source: Civil Service Year Book

Table 14: Department for Work and Pensions - Selected Offices

Head Office	Richmond House, London SW1A 2NS
Other Head Office Functions/ Corporate & Shared Services	The Adelphi, London WC2N 6HT Tavis House, London WC1H 9NB New Court, London WC2A 2LS Norcross, Blackpool FY5 3TA Peel Park, Blackpool FY4 5ES Berkeley House, Harrogate HG1 5QA Quarry House, Leeds LS2 7UA Trevelyan Square, Leeds LS1 5TB Moorland Road, Lytham FY8 3ZZ Longbenton, Newcastle-upon-Tyne NE98 1YX Mayfield Court, Sheffield S1 4EP Porterbrook House, Sheffield S11 8JE Rockingham House, Sheffield S1 4ER Cavendish House, Skipton BD23 2PA Durham House, Washington NE38 7SD
Working Age & Children Client Group	
<i>Jobcentre Plus</i>	Caxton House, London SW1H 9NA (HQ) Steel City House, Sheffield S1 2GQ (HQ)
	<i>Administrative Offices</i>
	Ladywood, Birmingham B3 1LB Beaufort House, Harlow CM20 1NA Quarry House, Leeds LS2 7UA Hallamshire Business Park, Sheffield S11 8HD Mayfield Court, Sheffield S1 4EP Moorfoot, Sheffield S1 4PQ Porterbrook House, Sheffield S11 8JE Rockingham House, Sheffield S1 4ER
	<i>Jobcentre Plus Regional Offices</i>
	Grays Inn Road, London WC1X 8HL Duchess Place, Birmingham B16 8NS The Pithay, Bristol BS1 2NQ Guildford Jubilee House, Leeds LS1 2RE Ontario House, Manchester M5 2XZ Broadacre House, Newcastle NE1 6HQ Newtown House, Nottingham NG1 6GG East of England office
<i>Child Support Agency</i>	Longbenton, Newcastle NE98 1YX (HQ)
Pensions and Disability Client Group	
	The Adelphi, London WC2N 6HT Peel Park, Blackpool FY4 5ES St Andrews' House, Bury St Edmonds IP33 1TT Pynes Hill, Exeter EX2 5AZ Jubilee House, Leeds LS1 2RE Quarry House, Leeds LS2 7UA Longbenton, Newcastle NE98 1YX St Stephens House, Redditch B97 4DL Aldine House, Salford M60 9HP

Appeals Service (Executive Agency)

Fox Court, London WC1X 8HN (HQ)

Administrative Office

Flowers Hill, Bristol BS4 5LA

Regional Offices

Auchinleck House, Birmingham B15 1DL

York House, Leeds LS1 2ED

Dale Street, Liverpool L2 5UZ

Manorview House, Newcastle NE1 6PA

The Pearson Building, Nottingham NG1 6AZ

Anchorage Quay, Salford M5 2YN

Cophall House, Sutton SM1 1DA

Source: Civil Service Year Book

Table 15: British Civil Service Employment (Full-Time Permanent Staff) by Region, 1976-2002

Employment (000)				
	1976	1997	2002	Percentage Change 1997-2002
London	170.7	86.6	86.8	0.2
South East	117.4	62.2	57.3	-7.9
Eastern	36.7	24.1	28.8	19.5
South West	84.8	50.7	48.2	-4.9
West Midlands	36.2	31.1	31.9	2.6
East Midlands	51.9	41.7	40.4	-3.1
North West	35.4	24.7	29.9	21.1
North East	19.8	13.5	17.0	25.9
Merseyside	37.1	32.2	35.1	9.0
Yorks & Humber	28.6	20.6	20.6	0
Wales	39.5	26.5	30.0	13.2
Scotland	71.2	45.8	46.2	0.9

Source: Civil Service Statistics

Table 16: Concentration of Employment (Permanent Full-Time Permanent Staff) in Government Departments in London, 2002

	% National Departmental Employment in London	Employment in London (thousands)
HM Treasury	100	1.0
Department of Culture, Media and Sport	98.5	0.7
Cabinet Office	77.7	1.6
Foreign and Commonwealth Office	76.8	5.7
Department for International Development	67.1	1.0
Home Office	54.7	10.2
Department of Health	52.5	2.7
Department of Trade and Industry	51.3	5.0
Department of Education and Skills	45.4	2.2
Lord Chancellor's Department	40.6	4.6
Department of Environment, Food and Rural Affairs	27.4	2.6
Customs and Excise	25.0	5.5
Office of National Statistics	24.6	0.7
Crown Prosecution Service	23.2	1.5
Department of Transport, Local Government and the Regions	20.8	3.7
Health & Safety Executive	17.1	0.7
Prison Service	14.4	6.0
Department of Works & Pensions	11.4	14.0
Inland Revenue	10.5	7.1
Land Registry	9.8	0.8
Ministry of Defence	7.4	6.6
Ordnance Survey	1.0	0.1
Royal Mint	1.0	0.1

Source: Civil Service Statistics

Note: The Welsh Assembly, Scottish Executive Registrars of Scotland the 'other Department' categories are excluded.

Table 17: Case Studies of Government Modernisation

The Arts Council and the Department of Culture Media and Sport

Prior to reorganisation in 2002, the Arts Council consisted of a national board in London which supported the work of ten autonomous regional organisations (companies limited by guarantee) each with its own support functions (Finance, HR, Estates etc). There is now a single body, the Arts Council for England, based in London with regional branches. Support functions and policy work are now provided from London for all the regional branches. However in the light of difficulties of recruitment in London some central tasks are dispersed or contracted out to the regions. A similar structure may be introduced by DCMS following the review of national lottery distributors. The new good causes distributor to be formed by a merger of the New Opportunities Fund (which has a centralised structure to deliver national programmes) and the Community Fund (which has a regional structure responding to local needs) will come together in a single organisation. Which model (central, decentralised or centralisation with dispersal) is yet to be decided. These examples indicate that locational choices are an important part of organisational changes in the civil service and linked agencies.

Newcastle Estate Development Scheme

The development of the Newcastle Estate provides a good example of the co-ordinated approach to the development of civil service location envisaged in this report. The Newcastle Estate Partnership formed by Amec Developments Ltd and Building and Property Management Services provides, over a 25 year period, offices for the National Insurance Contributions Office (part of the Inland Revenue) and the Child Support Agency (part of the Department of Work and Pensions) both predominantly based at Longbenton in Newcastle; the former Benefits Agency (now also part of DWP) based at Longbenton and Tyneview Park in North Tyneside; the Child Benefit Centre in DWP originally at Emerson House but now re-housed at Waterview Park in Washington, and the Information Technology Services Agency specialist computer centre at Durham House also in Washington. Following a review of the dilapidated Newcastle Estate in 1995, NEP were contracted to replace and refurbish an area covering 128 acres and involving 13, 000 staff. The number of sites in the Tyne and Wear area is being reduced from 12 to 4 with new buildings constructed at Longbenton and Waterview Park and the other two sites refurbished. NEP is also commercially developing surplus land on the Newcastle Estate.

Source: National Audit Office (1999) The Newcastle Estate Development Project, HC 16 Session 1999-00; Project Interview