

• PO - CH / NC / 0452

PART A

Part. A

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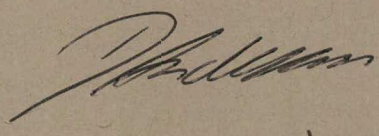
Begins : 26/2/87.  
Ends : 28/7/87.

**THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM**

PO CH | NL | 0452  
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Chancellor's (Lawson) Papers:  
Transfer of Government work to  
The Regions:

DD's : 25 Years



7/2/96.

PO CH | NL | 0452  
PT.A.



Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

OP

From the Minister of State  
Privy Council Office  
The Rt. Hon. Richard Luce MP

Great George Street  
London SW1P 3AL  
Telephone 01-

270 5929

C87/933

Rt Hon Kenneth Clarke MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON SW1H 9NF

CHIEF SECRETARY	
REC.	- 4 MAR 1987
ACTION	Mr C Allan ← with attachment
EX-10	CX FST MST EST
	Sir Peter Middles
	Mr Butler Mr Anson
	Mr Kenny Mr Mouch

Mr Burgess Mr Moore Mr Hart  
Mr Luce Mrs Perrin Mr Colman  
Mr Gilhooly Mr Pratt Mr Truman  
Mr Waller Mr O'Connell Mr Tyrrie

26 February 1987

Dear Kenneth,

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Following the meeting of E(A) on 29 January I thought that I should let you and John MacGregor have the draft of a paper that would meet the terms of the conclusions reached and allow us to make progress. For illustrative purposes the enclosed draft paper also covers a draft of the kind of announcement that I should like to make to draw the present dispersal programme to a close. The proposals in both reflect the findings of the report by officials that I sent to the Prime Minister on 10 November. I envisage that once we have agreed the paper we should send it to the Prime Minister for her approval, with copies to the members of E(A). Since I hope that we shall be able to settle matters within the terms of E(A)'s remit, it does not seem necessary to re-submit the subject for further collective discussion.

I should add that the drafts are not intended to nail down every last detail of procedure, but we should not be content with anything that leaves real doubt in our minds as to the agreed policy, the main lines of the supporting procedures, or where action lies. Paragraph 8 of the draft paper pursues the option of an exercise to identify 10% of work that would lend itself to relocation. I hope you will agree that this exercise is worth doing, even if it adds to the burden on departments, and that you will be able to run it. There are several additional elements that could be included either in the final paper or the announcement. For example, it might be helpful, if you agree, to refer to the review of videoconferencing that Sir Robert Armstrong

has commissioned from the CCTA, and to ensure that the review takes full account of the opportunities and challenges of relocation.

If either you or John feel that we should meet to settle matters along the lines of the attached draft paper I should be very ready to do so.

A copy of this letter and enclosures goes to John MacGregor, and to Sir Robert Armstrong.

*Richard*

RICHARD LUCE



*pur*

FROM: JILL RUTTER

DATE: 5 March 1987

MR C C ALLAN

cc:

Chancellor  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Sir Peter Middleton  
 Mr F E R Butler  
 Mr Anson  
 Mr Kemp  
 Mr Monck  
 Mr Burgner  
 Mr Moore  
 Mr Hawtin  
 Mr Luce  
 Miss Peirson  
 Mr Colman  
 Mr Gilhooly  
 Mr Pratt  
 Mr Truman  
 Mr Waller  
 Mr MacAuslan  
 Mr Tyrie

**TRANSFER OF GOVERNMENT WORK TO THE REGIONS**

The Chief Secretary has seen Mr Luce's letter of 26 February to Mr Clarke, which seems to have taken an inordinate time to get here from MPO.

2 The Chief Secretary is surprised at Mr Luce's letter, in particular at the resurrection of the 10 per cent exercise. The Chief Secretary firmly thought that the E(A) <sup>decisions</sup> ~~Committee~~ ruled out any such exercise.

3 The Chief Secretary would be grateful for your urgent advice.

*Jill Rutter*

JILL RUTTER

Private Secretary

CONFIDENTIAL

*Re*

FROM: C C ALLAN  
DATE: 10 March 1987

1. MR F E R BUTLER
2. CHIEF SECRETARY

cc **Chancellor**  
FST  
MST  
EST  
Sir Peter Middleton  
Mr Anson  
Mr Kemp  
Mr Monck  
Mr Burgner  
Mr C D Butler  
Dr Freeman  
Mr Hawtin  
Mr Luce  
Miss Peirson  
Mr Colman  
Mr Gilhooly  
Mr Pratt  
Mr Rayner  
Mr Truman  
Mr Waller  
Mr McAuslan  
Mr Wetherell  
Mr Tyrie

#### **TRANSFER OF GOVERNMENT WORK TO THE REGIONS**

Mr Richard Luce's letter of 26 February to the Paymaster General, copied to you and Sir Robert Armstrong, attaches a draft paper which, he argues, meets the conclusions reached on dispersal by E(A) on 29 January. Provided you and Mr Clarke are content, Mr Luce does not intend to put this forward for further collective E(A) discussion.

2. In our view, the proposals are not in line with the E(A) decision. There are other Treasury objections, and our advice is that you should comment, robustly, in writing.

#### **E(A) Conclusions**

3. In summing up the discussion at E(A) on 29 January (E(A)(87) 1st Meeting), the Prime Minister said that there were often substantial advantages to be gained from relocating offices away from London and the South East: office space was cheaper elsewhere, and it was easier to recruit staff, often of higher quality.

She said that the case of any specific moves on operational efficiency grounds should be pursued in the normal way as matter of good management and best use of resources, but the sub-committee did not believe that it would be right to undertake anymore general reviews or to make moves on regional policy grounds alone. The Prime Minister went on to say that it was important, however, that departments should keep in central London only those functions which needed to be there, and to that end if it would be right to ensure that departments had to bear the full equivalent commercial rent of London office space on their running cost budgets.

4. Although the minutes do not say so specifically, I understand that the reference to commercial rents is intended to lead to the pressure to disperse being applied through running costs.

#### THE MPO PROPOSALS

5. Mr Luce proposes:-

- i an announcement bringing to an end the current dispersal programme, and setting out the Government's future policy.
- ii that the future policy should be aimed at ensuring that when work is to be moved it is directed to the region yielding the greatest benefit to the economy as a whole.
- iii procedures for the new policy.
- iv additional steps to enhance the effectiveness of the policy including an exercise by departments to identify 10% of HQ work that could be relocated.

#### COMMENTS ON THE MPO PROPOSALS

6. There are various objections to, and reservations about, the proposals:-

(i) 10% exercise

In your briefing for the Prime Minister's meeting on 13 January to discuss dispersal policy, we questioned the cost-effectiveness of the kind of across-the-board approach implicit in an exercise to identify the 10% of HQ posts which could be relocated. Those misgivings remain. More important, the proposal is contrary to the E(A) decision that there should be no general further reviews. Measured against progress since 1979 (5,560 posts dispersed) a review of 10% of HQ posts must count as a general review.

It is also questionable whether the proposal to take full account of regional incentives which might have been available to a private firm is consistent with the E(A) conclusion that there should be no moves on regional policy grounds alone. The reference in paragraph 3 of the draft paper to the extension of the policy to NDPBs and the wider public services was not I think mentioned in the paper that went to E(A).

(ii) Treasury's role

a. The question of departmental responsibilities for taking forward any new policy was not discussed by E(A). At present, the MPO runs the dispersal programme and is also involved in relocation problems. The Treasury is responsible for ensuring that other departments have been consulted on relocation proposals and that the department concerned conducts a proper cost benefit analysis of the claims for different regional locations.



b. Mr Luce's proposal is that the Treasury should set the new framework procedures; disseminate criteria for the financial appraisal of the effectiveness of moves; and should consider, in the Survey, specific requests for additional short term costs. Department of Employment would be required to take the lead in maintaining the impetus of the policy and to account for its effects.

c. On the face of it, what is proposed for the Treasury is broadly in line with current practice. There is no objection, provided there is no intention to make the Treasury the lead central department in promoting the transfer of work to the regions. It would be wrong, in principle, and weaken our stance in the control of public expenditure if we were to be given a task which required us to put forward proposals for more expenditure.

(iii) Draft Announcement

As the department responsible for dispersal policy, it is for the MPO to decide whether to recommend an announcement that it has been successful (although progress is well-known and there can be little to be gained from confirming it). However, an announcement cannot include anything on future policy until that has been agreed. The timing of any announcement will be important. There are industrial relations implications which have to be taken into account in deciding whether to make an announcement, and, if so, when.

(iv) Other matters

Other unsatisfactory features are:-

- a. The previous discussions have been handled on a strict "need to know" basis. Mr Luce's letter is unclassified, even though the issues raised (e.g the 10% exercise) could be damaging at this stage if they were to become known prematurely and publicly. The unions and staff generally have mixed views about dispersal, and ill-timed and ill-prepared disclosure could be damaging and embarrassing.
- b. An absence of substantive discussion at official level between the Treasury and the MPO. The letter to Mr Clarke does not follow any discussions between the MPO and Treasury.
- c. the proposal that a reference should be made to a review of video-conferencing that Sir R Armstrong has commissioned from the CCTA. The CCTA have explained to Sir Robert that as a matter of priority their resources (scarce skills as well as money) are fully stretched in planning and setting up the Government Data Network and modernising the Government Telecommunications Network. The CCTA have offered to organise a study, but the resources to finance the consultancy required for the study itself will have to come from the departments who would benefit from

it. It would, therefore, be unwise to give prominence to the study at this stage.

#### CURRENT POSITION ON COMMERCIAL RENTS

7. A paper on the introduction of a full market system for the provision and management of government accommodation is to be considered by E(GA) tomorrow. LG2 are providing separate briefing. The E(GA) paper reports on the steps being taken to strengthen the PRS system to ensure that the right price signals are sent to departments. PSA are already charging individually assessed market rents (these were introduced in 1 April 1986). This may however have to be supplemented by a system of internal bidding where Government occupations dominate the market. There is also a requirement for the system of charging maintenance costs to be radically overhauled since the present system averages costs over all buildings; the proposals for these are summarised in the E(GA) paper. The right price signals combined with rigorous application of running costs (from which the current costs of accommodation are met) should ensure that proper account is taken of accommodation costs in departments strategic planning.

#### CONCLUSIONS

8. In view of the apparent conflict with the E(A) decision, our advice is that you should write to Mr Luce disagreeing with his proposals and proposing a discussion. A draft letter is attached.

9. The broad lines of this submission have been discussed with other interested Treasury Divisions, including CCTA. Paragraph 7 was provided by LG2.

  
C C ALLAN

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DRAFT

The Rt Hon Richard Luce MP

## TRANSFER OF GOVERNMENT WORK TO REGIONS

I am disturbed by the proposals in your letter of 26 February to Kenneth Clarke (which did not reach here until 4 March).

2. The conclusions of the E(A) discussion on 29 January rule out any more general relocation reviews. That must apply to the suggested 10% exercise. My clear understanding was that the E(A) decisions ruled it out. It is also questionable whether the proposal to take full account of regional incentives which might have been available to a private firm is consistent with the E(A) conclusion that there should be no moves on regional policy grounds alone. As I recall it, E(A) conclusions were intended to lead to pressure to disperse being applied through running costs. That is why E(A) made it clear that departments had to bear the full equivalent commercial rent of London Office space on their running costs budgets.

3. It would be helpful, therefore, for us to have a talk, together with Kenneth Clarke, before this is taken any further. At the meeting we can also discuss the other proposals in your draft paper. I see no objection in principle to the suggestion that the Treasury should draw up framework procedures, provided there is no intention to make the Treasury the lead department in promoting the transfer of work to the regions. The latter role would be inconsistent with our stance in the control of public expenditure.

4. You suggested that a reference could be made in any paper or announcement, to a review of video-conferencing that Sir Robert Armstrong has commissioned from the CCTA. The CCTA have offered to organise a study but this depends on those departments, who

would benefit from it, being prepared to find the necessary resources. It would, therefore, be premature to give prominence to the study at this stage.

5. I suggest that we continue to handle these discussions on a strict need to know basis, as the Prime Minister's meeting on 15 January decided. This is a sensitive issue, which could be misinterpreted and misunderstood if it leaked before we are ready.

6. I am copying this to Kenneth Clarke and Sir Robert Armstrong.

(JOHN MCGREGOR)

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*c.c. Chancellor*  
*FST MST EST*  
*Sir Peter Middleton*  
*Mr Butler Mr Anson*  
*Mr Kemp Mr Monck*  
*Mr Bugner Mr Hartin*  
*Mr Luce Miss Peison*  
*Mr Colman Mr Gilhooly*  
*Mr Waller Mr C. Allen*  
*Mr McAulster Mr Tyrrie*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Richard Luce MP  
 Minister of State  
 Privy Council Office  
 Great George Street  
 London  
 SW1P 3AL

13<sup>th</sup> March 1987

*Dear Sir,*

## TRANSFER OF GOVERNMENT WORK TO REGIONS

I am disturbed by the proposal in your letter of 26 February to Kenneth Clarke (which did not reach here until 4 March).

The conclusions of the E(A) discussion on 29 January rule out any more general relocation reviews. That must apply to the suggested 10 per cent exercise. As I recall it, E(A)'s conclusions were intended to lead to pressure to disperse being applied through running costs. That is why E(A) made it clear that departments had to bear the full equivalent commercial rent of London Office space on their running costs budgets. I see no place in such a regime for taking account of the regional incentives which might have been available to a private firm.

It would be helpful, therefore, for us to have a talk, together with Kenneth Clarke, before this is taken any further. At the meeting we can also discuss the other proposals in your draft paper. I see no objection in principle to the suggestion that the Treasury should draw up framework procedures, provided there is no intention to make the Treasury the lead department in promoting the transfer of work to the regions. The latter role would be inconsistent with our role in the control of public expenditure.

You suggested that a reference could be made in any paper or announcement, to a review of video-conferencing that Sir Robert Armstrong has commissioned from the CCTA. The CCTA have offered to organise a study but this depends on those departments, who would benefit from it, being prepared to find the necessary resources. It would, therefore, be premature to give prominence to the study at this stage.

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I suggest that we continue to handle these discussions on a strict need to know basis, as the Prime Minister's meeting on 15 January decided. This is a sensitive issue, which could be misinterpreted and misunderstood if it leaked before we are ready.

I am copying this letter to Kenneth Clarke and Sir Robert Armstrong.

*Yours ever,*

*JM*

JOHN MacGREGOR

*20*



Department of Employment  
Caxton House Tothill Street London SW1H 9NF  
Telephone Direct Line 01-213 5949  
Switchboard 01-213 3000

CHIEF SECRETARY	
REC.	24 MAR 1987
ACTION	<i>Mr C Alla</i>
MP	
TO	<i>CX FST MST EST</i>
	<i>Sir Peter Middletons</i>
	<i>Mr Butler Mr Anson</i>
	<i>Mr Kenny Mr Monck</i>

The Rt Hon Richard Luce  
Minister of State  
Privy Council Office  
Great George Street  
LONDON SW1P 3AL

24 March 1987

*Dear Richard,*

*Mr Burgess Mr Hardie Mr Luce Miss Peers  
Mr Colman Mr Gilhooly Mr Waller Mr MacAuliffe*

**TRANSFER OF GOVERNMENT WORK TO THE REGIONS**

*Mr Tyrrie*

Thank you for your letter of 26 February and the paper with your new draft proposals. I am broadly in favour, although I have a number of detailed points I wish to make.

I have also seen the reply from the Chief Secretary. In view of his doubts it is obviously important that we should have a meeting. Whilst I strongly support running cost controls, short-term judgements of running cost effects should not be the only deciding factors in decisions to relocate. We need to be able to consider the implications of longer term effects on Departments costs and efficiency and on regional employment and pay patterns.

I am copying this letter to John MacGregor and Sir Robert Armstrong.

*J* *ms.*  
*L*

KENNETH CLARKE



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FROM T R H LUCE  
 DATE 30 March 1987  
 Room 55/G  
 Ext 4544

CHIEF SECRETARY

*Luce to Luce!  
 2. 1 sketch agree with  
 PMS 12 in Paris*

PPS  
 PS/MST  
 Sir P Middleton  
 Mr F E R Butler  
 Mr Anson  
 Mr Kemp  
 Mr Monck  
 Mr Burgner  
 Mr Spackman  
 Mr Turnbull  
 Mr C C Allan  
 Mr Gilhooly  
 File

CIVIL SERVICE DISPERSAL POLICY: MEETING WITH MR KENNETH CLARKE  
 AND MR RICHARD LUCE: 31 MARCH

### Purpose

This is to seek agreement on an approach to Civil Service location and dispersal that is consistent with EA decisions and goes with the grain of policies on expenditure and efficiency.

### Papers

2 Mr Luce's letter of 26 February (with enclosed draft EA paper and public announcement); your reply of 13 March, questioning whether Mr Luce's approach is consistent with the earlier EA decision; and Mr Clarke's of 24 March supporting a running cost approach but emphasising the need to bring in "longer-term effects on Departments' costs and efficiency and on regional employment and pay patterns."

3 Mr Allan's brief of 10 March showed in detail why Mr Luce's proposals are objectionable. In particular, they are quite inconsistent with EA's clear refusal to agree a major and radical exercise implying extra Civil Service spending in areas of high

unemployment.

Treasury Objectives

4 These should be:

- to gain agreement to a thorough but sensible approach to the subject, mainly through the running costs part of future Surveys
- to prevent any premature announcement of future Government policy in this area, which is highly sensitive for Civil Service industrial relations
- to gain agreement to a procedure for working out the new running costs approach in detail.

5 We understand that Sir Robert Armstrong and other Cabinet Office officials consider Mr Luce's proposals to go clearly beyond what was agreed at the last EA discussion. MPO officials know this. But EA's approach has been somewhat variable, so you should propose reference back only in the last resort. To avoid it you will need to satisfy Mr Clarke that, if the running costs approach is to be adopted, we will not just tip the subject into the Survey and let it get lost.

Line to take

- 6 (i) EA made clear that there should be no further radical reviews of Civil Service location; and that departments should be put under general pressure through running costs to improve the cost-effectiveness of work location.
- (ii) the present MPO proposals envisage the Treasury running cost system as the main instrument of a new dispersal policy [para 5 of Mr Luce's paper, first sentence]. But they go beyond the EA decision in suggesting [para 4(3)] that account should be taken of the RGA and RSA

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grants that would be available to private companies and of savings in unemployment benefit where more jobs would be gained in the reception area than are lost in the exporting area.

(iii) they also go beyond EA in suggesting that all departments should identify 10% of the work that would lend itself to relocation;

(iv) we have throughout made clear our unwillingness to inflate departmental running costs in order to subsidise regional or unemployment policy objectives. There are other measures to achieve progress on those fronts; and the proposals would

- undermine the operational efficiency of the Civil Service and the running costs discipline
- place considerable extra work on departments, and seriously complicate the PES.

(v) But we all seem agreed that

- running costs should be at the centre of the exercise
- the Treasury should frame guidelines for it.

(vi) we should now consider how those guidelines should be agreed and promulgated.

Framing the Guidelines

7 We want to avoid forcing all departments into a laborious review of all their work location. They would be unwilling and defensive - there is particular sensitivity at present about time-consuming and unselective central initiatives which divert them from the key management and policy objectives already agreed. But we should want to ensure that where cost-improvement and

job gains to regions are available through relocation the possibilities should be pursued in a serious and effective way and that the departments concerned are given the right framework of incentives and disciplines. We suggest that the guidelines should

- encourage suitable departments to set in hand a sustained review programme, and to report on its outcome in successive Surveys
- include the economic and cost criteria they should use, e.g. the assumptions they can make now on cost-savings from transfer; those that they might make for the longer-term as "geographical pay" is gradually introduced into the Civil Service; and indications of which regions or localities might offer the largest gains in costs and have the biggest need for jobs
- offer the possibility of some short-term running cost easement in major cases where a definite and worthwhile long-term saving should be available from relocation but at a short-term cost which a department could not reasonably be expected to accommodate within its running cost baseline.
- reflect the new emphasis on proper market rents for Government accommodation that EA have already agreed.

8 This approach would reconcile running cost disciplines with Mr Clarke's published views on the need to undermine the anti-competitive effects of national pay rates on management costs; and would, as he advocates, provide departments with an incentive to exploit the cheaper parts of the British labour market. His department could contribute appropriately to the guidelines; and MPO could help us identify which departments should be particularly encouraged to undertake reviews.

9 We suggest that Treasury, DEm and MPO officials should be instructed to agree guidelines accordingly, in time for their

promulgation to departments this autumn. Departments would then be expected to make their first reports in the 1988 Survey. (We are, of course, too late for the 1987 Survey; and in any case the present dispersal programme is still not quite ended).

10 If something on these lines can be agreed, there is no need for a reference back to EA. If officials - and in due course their Ministers - cannot agree on the draft guidelines, the issue could then go back to EA.

#### Announcement of Completion of Present Dispersal Programme

11 Mr Luce's letter implies an early - and probably oral - Parliamentary announcement of the present programme's completion.

12 We would not want any announcement until:

- (a) there is clear agreement between Ministers on the successor policy
- (b) the problems of the present Civil Service pay round are well behind us.

The second point is of great importance. The Civil Service unions resent dispersal policies for obvious reasons. It would be quite untimely for the Government to choose the middle of what may well be a serious and difficult row over Civil Service pay to take public credit for past dispersals and announce a new phase in the policy. And a premature or mishandled announcement would put paid to our chances of progress with "geographical pay" - an idea central to Mr Clarke's own pay philosophy.

13 The announcement will need to be delayed until perhaps the summer; and will then need properly to reflect agreement on future policy. (Since neither the achievement so far nor future dispersal prospects are on a scale likely to impress Members with high unemployment in their constituencies, a low-key written

announcement would then seem preferable to a high profile oral one.)

Other Public Services

14 The last sentence of 3(3) of the MPO draft paper says "We also propose that the policy should extend not only to government departments, but also to NDPBs and the wider public services." This has not previously been proposed and would almost certainly be objectionable to Armed Forces and Health Ministers. You can point this out tomorrow if necessary; but if you cannot get Mr Luce's and Mr Clarke's agreement to the Treasury position in Civil Service dispersal and the issue has to go back for collective discussion the prospective extension of a radical dispersal policy would gain allies for us rather than the MPO. It might be better for the present to make your objection glancingly.

*Norma Hulbert*

pp T R H LUCE



FROM: CATHY RYDING  
DATE: 31 March 1987

PS/CHIEF SECRETARY

cc PS/Minister of State  
Sir P Middleton  
Mr F E R Butler  
Mr Anson  
Mr Kemp  
Mr Monck  
Mr Burgner  
Mr Spackman  
Mr Turnbull  
Mr C C Allan  
Mr Gilhooly  
Mr T R H Luce

**CIVIL SERVICE DISPERSAL POLICY: MEETING WITH MR KENNETH CLARKE  
AND MR RICHARD LUCE: 31 MARCH**

The Chancellor has seen Mr Luce's minute to the Chief Secretary of 30 March.

2. The Chancellor has commented that he strongly agrees with paragraph 12 in particular - ie that we do not want any announcement until there is clear agreement between Ministers on a successor policy and the problems of the present Civil Service pay round are well behind us.

A handwritten signature in cursive script, appearing to be 'CR'.

CATHY RYDING

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CC CHANCELLOR  
FINANCIAL SEC.  
MINISTER OF STATE  
ECONOMIC SEC.

SIR. P. MIDDLETON  
MR. BUTLER  
MR. ANSON  
MR. KEMP  
MR. MONCK  
MR. BURGNER  
MR. HAWTIN  
MR. LUCE  
MISS PEIRSON  
MR. COLMAN  
MR. GILHOOLY  
MR. WALLER  
MR. C.C. ALLAN  
MR. MACAULAN  
MR. TYRIE.

Wooded by  
Alex  
Pup

Treasury Chambers, Parliament Street, SW1P 3AG

Chris Capella Esq  
Private Secretary to the  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NF

1 April 1987

*Dear Chris,*

#### TRANSFER OF GOVERNMENT WORK TO THE REGIONS

The Chief Secretary held a meeting yesterday at 5.30pm in his room in the House of Commons with the Paymaster General and the Minister for the Civil Service. Officials from the Department of Employment, MPO and Treasury were also present.

The Chief Secretary said that he had asked for the meeting because he did not feel that some of the proposals in Mr Luce's paper, circulated under cover of his letter of 26 February to Mr Clarke quite reflected the outcome of E(A)'s discussions on 29 January. E(A) had ruled out further radical reviews and by implication a requirement to examining a predetermined proportion of work e.g. 10 per cent. He had read E(A)'s conclusions as depending on a straight cost calculation, not involving any notional RDG/RSA calculations, based on running cost pressures. That included, crucially, a proper assessment of commercial rents.

Mr Luce said he agreed that E(A) had concluded against any radical new exercise. He agreed that the general tenor had been to leave decisions to pressure from market forces. No conclusion had been reached on the question of a 10 per cent exercise; he believed that a market forces approach would need to be supported by a clear framework requiring departments to act. It would be difficult to announce the termination of the dispersal exercise with no replacement. Mr Clarke said various different views



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had been expressed in E(A). He was not sure any final decision was made on details. The problem with the running cost approach was that departments' first reaction to running cost difficulties was not usually to look at relocation options, but to seek an adjustment to their running costs from the Treasury. It was critical that adjustments were not readily conceded. He was attracted by an approach in which commercial rents bulked large. He thought that a 10 per cent. exercise depended on how it was presented. Departments should be required to look at serious options for dispersal. He thought that it would also be sensible to take into account regional employment implications though he was not attracted to the RDG route. He was not as sure as the Chief Secretary that E(A) did not envisage this as an adjunct to regional policy. What was needed was a mechanism to get departments to look at relocation options.

The Chief Secretary suggested that the best approach would be for the Treasury and the other departments concerned to draw up guidelines involving both commercial rents and possibly, in the longer-term, regional pay to derive economic and cost criteria. The Management and Personnel Office could draw up a list of departments which would be subject to sustained review. A list of priority areas to be targetted would prove more effective than an across the board exercise. Mr Clarke suggested that rather than ask departments what functions could be moved out of London, which tended inevitably to mean that departments identified their less favoured functions for dispersal, they should be asked to justify which functions should remain in central London, with a presumption against. At the moment there was a tendency to believe that headquarters' work had to be undertaken in central London. There were departments where this was simply not the case.

It was agreed that officials should draw up a framework for departments to appraise relocation options, in the context of running cost discussions in the 1988 and following Public Expenditure Surveys. It should comprise the following factors:

- (a) cost effectiveness - concentrating in particular on the commercial rent costs of remaining in central London, and, in the longer-term, looking at the implications of pay differentials;
- (b) it should incorporate an analysis of removal to any particular locality, taking into account the local employment characteristics of the proposed destinations. It should be based on the presumption that work would only be undertaken in central London where it was necessary to do so. It should also take into account the reduced need for central location arising out of modern technological aids.

The Treasury would take the lead in working out these criteria, in close consultation with the Department of Employment on the regional employment questions and the Management and Personnel Office on the departments and areas of work that might be targetted. This review process would be triggered when a department encountered a running cost problem. The Chief Secretary

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accepted that in the short-term a decision to relocate could lead to temporary pressure on running costs, which would have to be taken into account.

It was agreed that the aim would be to work up the new procedure so that it could be announced in the summer. This should delay any announcement beyond the civil service pay negotiations, though some further thought might be needed on the timing implications for negotiations on geographical pay proposals. As a preparation for such an announcement a paper should be circulated to E(A), although if it were agreed by the three departments primarily concerned it was unlikely to require a further discussion. The announcement of the new procedures could be associated with an announcement of prospective dispersals in coming years. 1,200 posts had so far identified. An effort would be made to identify additional posts. It would be possible, if the new approach were made effective, to point to the fact that dispersal would continue at at least the present rate.

I am copying this letter to Michael Stark (Mr Luce's Office) and to Trevor Woolley (Sir Robert Armstrong's Office).

Yours sincerely,

Jill Rutter

JILL RUTTER  
Private Secretary



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)

GTN 215) 5147

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From the Chancellor of the Duchy of Lancaster  
and Minister of Trade and Industry

THE RT HON KENNETH CLARKE QC MP

Rt Hon John Major Esq  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

CHIEF SECRETARY	
28 JUL 1987	
Mr C. Allan	
CX EST PMG EST	
Sir Peter Muddlet	
Mr Butler Mr Anderson	
Mr Kemp Mr Mounch	

*Handwritten initials/signature: PBP, PHP*

28 July 1987

Mr Bourguier Mr Hartin Mr Luce  
Miss Reinson Mr Colman Mr Gerthosly  
Mr Waller Mr MacAuley Mr Tyrie.

*Handwritten: Mr John,*

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

I discussed the question of transferring Government work to the regions with John MacGregor and Richard Luce earlier this year, on 31 March. It was agreed that the Treasury would take the lead in working out a framework for Departments to appraise relocation options so that a review process would be triggered when a Department encountered a running cost problem. The aim was to work up the new procedure so that it could be announced in the summer.

I retain a strong interest in this issue, particularly since transfers of service sector activity can help regional policy. I would be grateful if you could keep me in touch with how this work is proceeding.

I am copying this letter to Norman Fowler, Richard Luce and Sir Robert Armstrong.

*Handwritten signature: J. M. L.*

KENNETH CLARKE