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PART A

Part. A.

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Chancellor's (Lawson) Papers:
Customs and Excise Headquarters Relocation.

DD's : 25 Years

Shelley

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FP advise ASAP P.S.P.

FROM : THE CHAIRMAN

DATE : 30 May 1989

CHANCELLOR OF THE EXCHEQUER

CUSTOMS AND EXCISE HEADQUARTERS RELOCATION

As you know, I set up a team about a year ago to carry out a fundamental review of the location of Customs and Excise Headquarters. That team has now reported, and a copy of their report is attached.

2. We start from a different position from most Departments in that our Headquarters is already in large part relocated. Only 1,650 posts, about one third, are located in London at present. Although most of the rest, nearly 3,100 (60 per cent) are still in the South East, at Southend, that is a low-cost area for office accommodation. Rental charges on our estate there are much lower than in London and compare well with the rest of the country. But Southend as a location does have other difficulties; there are problems of recruitment and retention of staff, and the review has examined the case for moves out of Southend too. The remaining 400 HQ posts mainly consist of VAT enforcement staff in Bootle.

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir Peter Middleton
Mr Anson
Mr Scholar
Mr Culpin
Mr Luce
Mr Gilhooly

Mrs Strachan
Mr Jefferson Smith
Mr P V H Smith
Mr Howard
Mr Russell
Mrs Boardman
Mr Eland
Mr Romanski
Mr Shephard

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3. Following an earlier more restricted review, we are already in the process of relocating nearly 200 further posts on VAT enforcement work from Southend to Liverpool. In addition, in line with the recommendations of a recent Efficiency Scrutiny, 33 posts on Tariff work are being relocated from London to Southend (the total reduction in posts in London as a result of this scrutiny is 71).

4. The Review Team examined a wide range of options ranging from minimum further relocation to a radical lock, stock and barrel move of all but a tiny "Private Office" from London. There are arguments for and against all the options and I have discussed them extensively with my senior colleagues. The final choice must entail a very large element of judgement, particularly given the uncertainty of many of the variables (not least future movements in the property market) and the almost unprecedented series of changes with which the Department will have to cope in the next few years (1992, the Channel Tunnel, VAT II etc). I have therefore sought a solution which combines what I consider to be the maximum prudent relocation from London and the South East with an ability to monitor and control the process in case external circumstances should radically change.

5. I think the recommended course that emerges from the Review Team's report would achieve this. Together with the move already in hand to Liverpool (paragraph 3 above) this will involve a continuing staged programme of relocation from the South East of over 1,700 posts over a 4 year period up to March 1994. The main elements in the programme are:

- a further very substantial relocation out of London of those work areas, taken from across Headquarters, which have the smallest need to remain there, amounting to about 650 posts;

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- of these about 400 would go to set up a new HQ location outside the South East; we favour Manchester for this as it is within easy reach of our other existing site at Liverpool and it is also the most convenient location for the proposed new Northern Solicitor's Office which is included in the proposals;
- the remaining 250 posts, all on Customs-related work, would move to Southend to join similar work already there;
- about 1,250 posts, all on VAT work, would be relocated from Southend to Liverpool to join the people from Bootle already engaged on similar work. The reason we have chosen a new site in Liverpool, rather than developing our existing site in Bootle, is that we have the opportunity of a new Crown building in Liverpool, which would take in the existing staff from Bootle as well. This is an attractive proposition as it offers the prospects of longer term public expenditure savings overall although, under present rules, Customs would suffer the double jeopardy of having to fund the construction costs and make continuing PRS payments;
- about 35 staff who provide computer support to the Investigation Division would move to be co-housed with one of the Division's provincial offices, probably Glasgow.

6. There are also some 750 posts on computer work and training, mainly in Southend, whose location the team was unable to consider because of other uncertainties surrounding them, but I propose to review their location over the summer. It is too soon to say whether there will be a sound case for relocating some of them as well.

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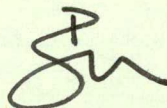
7. The net effect of the proposals for moves already identified would be to reduce the size of the London HQ to just over 900 posts, a reduction of nearly half its present size, and of Southend HQ to 2,100 posts, with a total relocation outside the South East amounting to over 1,700 posts. This would make a substantial contribution to the Government's relocation programme, as well as offering the prospect of long-term cost savings and assistance with our present recruitment and retention difficulties in Southend. Subject to obtaining the necessary funding (see below) I recommend that we should go ahead with the relocation suggested in the report.

8. A relocation on this scale will inevitably require significant pump-priming expenditure before the running costs savings (which could amount to nearly £50 million over the first ten years) start to materialise. There is no provision for this pump-priming within our existing planning totals. In accordance with the Running Costs Guidance: Location of Work document issued by the Treasury in March last year I have, therefore, included the necessary bids in my PES submission to the Chief Secretary of 25 May.

9. As you will appreciate, speculation in the Department about the outcome of the review is growing and there is much uncertainty and concern and I am now very anxious to proceed as quickly as possible. I should therefore like to publish the team's report internally and then to hold consultations both with staff and with the Trade Union Side, with a view to announcing final decisions on the proposals in the Autumn. Nevertheless, subject to your approval, it will be my intention to proceed with a relocation as recommended in the report, or on very similar lines.

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10. I should not, however, wish to arouse staff expectations and cause further concern if there was no definite prospect of relocation going ahead on the lines proposed. I should therefore be very grateful for an indication that you are broadly content with our proposals and that sufficient pump-priming finance will be forthcoming. I realise that the timing of the latter is awkward in relation to PES. I am not therefore seeking formal agreement now to my bids but simply agreement in principle to expenditure of the order of magnitude proposed which is underpinned by an investment appraisal and, as noted above, will lead to substantial public expenditure savings.



J B UNWIN

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Relocation

Review of Location Strategy for Customs and Excise Headquarters

REVIEW OF LOCATION STRATEGY FOR
CUSTOMS AND EXCISE HEADQUARTERS

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Reference: EST 408/1/1
May 1989.

SUMMARY OF CONCLUSIONS

1. A partial but substantial relocation of London Headquarters (under a "Policy Functions Model" with the Board and the majority of policy functions remaining in a London core but the more routine clerical management and service functions relocated) offers significant advantages compared to other models (paragraph 8.2).
2. A total of 643.5 administrative posts have been identified for relocation from London HQ (paragraph 8.12).
3. Relocating the remainder of VC Directorate (1243 posts) from Southend to Liverpool would have the benefit of creating an integrated Directorate in a single site and help reduce recruitment and retention difficulties in Southend (paragraph 9.2).
4. The non-core parts of Customs Directorate and VII and 2 (VAT imports and exports) (252 posts) are the best candidates for filling some of the low-cost vacant accommodation in Southend, as part of the Customs function is already there and they have strong South-Eastern contacts (paragraph 9.6, 9.7).
5. It would be feasible to establish a provincial office of the Solicitor's Office to handle prosecution and VAT Tribunal work arising in the North, some criminal advisory work, most of the Civil Recovery Unit work and advisory work for relocated administrators (paragraph 10.1). Manchester would be the location offering the greatest operational effectiveness for this work (paragraph 10.4).
6. A North Western location such as Manchester, would be the most obvious site for the administrative work relocated from London (apart from that going to Southend) because of its closeness to Liverpool where VAT Control Directorate would be (paragraph 11.5).
7. The timetable for moves envisages the following main elements:
 - VAT Control Directorate from Southend to Liverpool in stages up to 1993-94.
 - Custom Directorate moving from London to Southend in 1990-91.
 - Most of the relocated work going to Manchester in 1992-93.(paragraph 12.3).
8. The investment appraisal shows a cumulative NPV of £48 million with break-even in 1999-2000, for up-front costs of £29.8m (paragraph 13.4).
9. The CEDRIC (computer support) teams (35 posts) of the Investigation Division do not need to remain in London and could be co-located with any provincial Investigation Division office where accommodation was available. The investment appraisal for a move in 1990-91 shows a cumulative NPV of £2.2m with break even in 1993-94 for up-front costs of £0.4m (paragraph 14.3, 14.4).

REVIEW OF LOCATION STRATEGY FOR CUSTOMS AND EXCISE HEADQUARTERS

INTRODUCTION

Background

1.1 This study was sponsored by the Director Personnel to consider a location strategy for Customs and Excise Headquarters, examining in particular the scope for relocation elsewhere of its work currently performed in London and the South East. The need for this study stems primarily from two factors:

- pressure on running cost ceilings arising from the real increase in office rents in central London; and
- difficulties in filling vacancies in London and the South East because of recruitment and retention problems and the apparent reluctance of staff elsewhere to transfer into the area.

1.2 The study also forms Customs' response to the requirement to review office location, which was set out in a Treasury paper of March 1988, entitled "Running Cost Guidance : Location of Work". This put forward the following criteria to be taken into account in considering relocation of Civil Service jobs:

- cost-effectiveness in public expenditure terms;
- wider employment and economic development effects; and
- overall effects on operational efficiency and management effectiveness.

Terms of Reference

1.3 The terms of reference of the study were:

"Taking account of guidance issued by the Treasury and earlier consideration by the Board, to consider:

- (i) how much of Headquarters work should be relocated outside the South East;
- (ii) what criteria should be used in assessing possible relocation sites for Headquarters and, in particular, how far relocated units should be geographically concentrated;
- (iii) which areas of Headquarters work should be examined further as possible candidates for relocation;
- (iv) what the implications of the options identified at (i)-(iii) would be for the staffing and location of Outfield work in London and the South East;

- (v) what time scale and priorities should be set for further studies and their implementation;

and to make recommendations."

Current location of Customs and Excise Headquarters work

1.4 Most Headquarters staff are currently at three main locations: central London, Southend/Shoeburyness and Bootle. There are also small pockets of Headquarters work at Lytham St. Annes, Wilmslow, Portsmouth and Woolwich and elsewhere. The numbers of posts at the main sites at 30 April 1989 were as follows:

	<u>Number</u>	<u>Percentage</u>
Central London	1650	32.1
Southend/Shoeburyness	3082	60.0
Bootle	264	5.1
Elsewhere	139	2.7
	<hr/> 5135	

The buildings occupied by these staff are listed in Appendix A, which also shows the floor areas, PRS charges and numbers of staff in each building.

1.5 Although the Investigation Division is not formally part of Headquarters we were asked to include its London office, whose complement is 744.5, within our terms of reference.

Other work on HQ location

1.6 During 1988, the following relocations of Headquarters work took place:

- 14 posts from the Personnel Directorate in London moved to Lytham St. Annes;
- 6 posts from the VAT Control Directorate, which had been located in London, joined the rest of their division in Southend;
- 4 posts dealing with car tax moved from London to Southend; and
- 6 posts dealing with the control of imported cars moved from London to Dover.

1.7 In addition, the following reviews, which will impact on location of Headquarters work, have been or are being conducted. To avoid duplication, we have not looked in detail at the areas covered by these reviews.

- A review was carried out from November 1987 to January 1988 of the scope for relocation of the work of VCB - currently split between Southend and Bootle - entirely to Merseyside. In line with that study team's recommendations, it has now been decided to proceed with this, starting this year with completion by August 1990.
- The 1988 Efficiency Scrutiny of the Administration and Interpretation of the Integrated Tariff recommended the relocation of tariff work from the Customs Directorate in London to the Statistical Office in Southend - this recommendation has been accepted and is to be implemented by 31 March 1990.
- While we were carrying out our work, an internal review of the Reliability of Mainframe Systems was examining future Departmental computer requirements, with a likely impact on the future of the IT function, including its locational requirements. It is now proposed to carry out a separate location study of this area, in the light of the outcome of that review.
- A review being carried out by outside consultants is looking at the Department's needs for accommodation for training courses, including the possibility of setting up a residential training centre. Relocation of Training Services Division to such a centre, if it were set up, would be a possibility, so this is a prior question which needs to be settled before location of TSD can be considered.

Work undertaken by the Review Team

1.8 In considering the scope for a total or partial relocation of Headquarters, we looked at three possible models:

- a "Private Office Model" with only a small core, based on the Private Office and Parliamentary Unit, left in London;
- a "Corporate Model" with only the Board, together with the minimum necessary policy support, located in London; and
- a "Policy Functions Model" with the Board and the majority of policy functions remaining in London, with the more routine clerical, management and service functions relocated.

1.9 Our fieldwork to produce the data on which our considerations were based was carried out in two stages. In the first stage, we interviewed all Board members to obtain their preliminary views on the location of their commands and of HQ generally. We also issued a questionnaire to all HQ Grade 5s to establish the frequency of their Divisions' essential face-to-face contacts within the Department, and with Ministers, other government departments and other bodies. The questionnaire also sought views on:

- whether there was scope for separate location of Branches within Divisions;
- the need for co-location of Divisions with other parts of HQ; and
- whether Divisions needed to be in London.

The questionnaire was followed by interviews with all Grade 5s to expand on the information given in the written replies.

1.10 In the second stage of our study, we carried out further work to analyse in more detail the pattern of contacts with Headquarters and confirm (or otherwise) what we had inferred earlier about contacts with people outside HQ. We therefore asked Grade 5s, Grade 6s and Branches (covering staff from Grade 7 to EO level) to keep diary records of all essential face-to-face contacts in the period 21 November to 16 December. The detailed coverage and methodology of the survey, as well as a summary of our findings, are set out in Appendix B.

1.11 In addition, we visited the Scottish Office and Welsh Office to find out about their experience as Departments working remotely from London. We also held discussions with several of the major Departments which are also currently considering relocation, and, in the absence of any central initiative, instigated an informal liaison group to draw on one another's experience and become aware at an early stage of any potential conflicts.

1.12 This report draws together the results of both stages of our study.

1.13 Two work areas, the Solicitor's Office and the Investigation Division were looked at separately from the main study. Our findings on these areas are summarised at chapters 10 and 14 of the report, respectively.

Trade Union Side

1.14 The TUS were notified formally of the details of the review and invited to contribute. We have had several meetings with DTUS representatives, and a copy of a letter setting out their views is at Appendix C.

Acknowledgements

1.15 We should like to thank all those who assisted us in our study, particularly all those who completed the questionnaires and diary records.

Costs of the Study

1.16 The costs of the study amounted to approximately £190,000 (basic staff costs plus accommodation and common services, including travel and subsistence).

PRECONDITIONS FOR MOVING

2.1 In the course of our work, we identified a number of essential preconditions for a successful relocation programme:

- Ministerial acceptance of the use of new technology and the constraint on very short notice access to officials;
- an investment appraisal providing an acceptable net present value;
- availability of sufficient pump-priming finance to meet the up-front costs of the move;
- provision of Crown transfers to sufficient key staff who are prepared to move to maintain efficiency and expertise;
- availability of a pool of labour to fill vacancies, with little competition from large outside employers (including other government departments);
- investment in 'state of the art', secure electronic communications links, such as facsimile, electronic mail and video-conferencing, with adequate back-up;
- site(s) with good road, rail and possibly air links with London, so that officials can travel there and back in a day, as well as good links with Brussels;
- good quality office accommodation;
- location(s) which will be attractive to staff;
- maintaining a constructive dialogue with the Trade Union Side;
- timely decision making; and
- careful phasing of moves, taking account of training needs for new staff, and adequate periods of notice.

OPERATIONAL NEED TO STAY IN THE SOUTH EAST

3.1 In our fact-finding we sought to establish the patterns of contacts, both inside and outside the Department, at Divisional and Branch level, to determine which work areas needed to remain in the South East and also which work areas needed to be co-located. We found that the pattern and frequency of contacts varied widely across Headquarters. Many Assistant Secretaries considered that their Divisions could operate with no or little difficulty outside London or the South East, provided that:

- they remained co-located with other HQ Divisions and Board members as necessary;
- good electronic communications were installed; and
- the relocation site had good transport links with London (and, for some Divisions, Brussels).

3.2 The main objection seen to relocation was that remoteness from London would make it difficult for Divisions to carry out their policy role, because of the danger that their influence with Treasury Ministers and Whitehall departments would be impaired. Although this risk was seen as greatest in DPU and the VAT Administration Divisions, with reference to indirect tax policy, it was also perceived elsewhere e.g. on establishments issues such as pay policy. The risk was seen partly as an inability to attend essential meetings, particularly if called at short notice - video-conferencing was not seen as an acceptable substitute because remote participants would be at a disadvantage during the formal meeting and opportunities for informal contacts in the margins of meetings would be lost. The other aspect was concern that if the responsible officials were remote there would develop the danger that other departments would overlook the need to consult Customs and Excise on issues where the Department had a role; the extent of this risk was not seen as relating solely to the level of face-to-face contacts. We did not examine the diaries of Grade 3s and above, where the policy role and the exercise of influence would be most significant. Our diary survey of Grade 5s and below indicated that the overall number of face-to-face meetings at those levels at which influence could be exercised was not great, although that leaves open the question of the importance of those contacts which did take place. In summary, it is difficult to assess whether and to what extent any change in Divisions' policy role and influence would occur in practice. It would depend not only on which Divisions were moved out of the South East, but also on a number of imponderables, such as personalities (especially Ministers' working styles) and the issues which arose. Nor can the effect of any such loss be quantified.

3.3 The second difficulty perceived was the quality of service to Ministers. Ministers are used to having almost immediate access to officials and urgent provision of briefing material (e.g. Notes on Finance Bill amendments and PQs) and papers are sent by a dedicated van service several times a day, augmented at Budget time. If Divisions were remotely located, secure facsimile links and electronic mail would cope with urgent paper flows. Most

meetings could be attended since adequate notice is already given. Many short-notice meetings (e.g. briefing sessions) could take place just as well over video-conferencing links, provided that this was acceptable to Ministers. The most serious difficulty would arise over very short notice requirements to attend the House. Officials might have to travel to London on a contingency basis (as VCC staff from Bootle have had to do) to ensure that they would be available if required, at the possible cost of a wasted journey. So the need to provide a service to Ministers would make relocation more difficult for those Divisions with the most frequent contacts, especially as most of the travel would inevitably occur when Divisions were at their busiest.

3.4 There were also a number of other contacts which, Divisions felt, could be impaired by relocation:

- **Trade bodies.** A number of Divisions considered useful trade contacts, the majority of which were in London, would be impaired; conference facilities in London and video-conference links would be needed to overcome this difficulty.
- **Outfield.** Many Divisions' main Outfield contacts were in the South-East. Relocation would cause T&S costs and time penalties on Outfield visits to increase, although it could bring the benefit of a more even spread of visits across the country. However, the majority of the activity controlled by the Department (particularly VAT and Customs) is in the South East.
- **Trade Union Side.** The establishments Divisions, in particular, valued informal contacts with TUS officials. However, Departmental officials could be expected to move with HQ and National officials would probably be prepared to travel to a remote HQ, say, once a week. They could therefore still be seen regularly, with some forward planning. From our fieldwork we have found that the Scottish and Welsh Offices and the Training Commission are able to maintain adequate contacts with National officials from a remote location.

3.5 The final operational difficulty put to us related to the Department's ability to adapt to changes. The early 1990s will be a time of very far-reaching changes for the Department, particularly as a result of the opening of the Channel Tunnel and the advent of the Single European Market. These changes will affect all areas of the Department, and will require co-ordination between Headquarters Divisions, as well as contacts with other government departments to put across this Department's view. Some Divisions were concerned that a large-scale relocation would reduce flexibility and make handling of these issues more difficult.

RECRUITMENT AND DEMOGRAPHIC FACTORS

4.1 We also examined expected demographic trends and their relevance to relocation. The information we have is set out at Appendix D. The main conclusions are:

- between 1987 and 1993 there will be a drop of 28 percent in the number of 16 to 19 year olds available for employment;
- in London and the South East the fall in the number of 16 to 24 year olds is expected to be 368,000 - 19 percent - by 1995;
- that drop is 2.3 times the April 1988 number of unemployed in that age group in the South East;
- the fall in the number of young persons coming on to the labour market will exceed the present number of young unemployed in every region of Great Britain, but the excess is much smaller elsewhere, in both absolute and relative terms;
- the demand for labour in London and the South East is still expected to rise - one forecast is for an increase of 100,000 by 1993 in central London alone.

4.2 The clear implication of these trends and forecasts is that the employment market for young people in the South East is going to tighten considerably from an already difficult position for employers. This Department is already finding that recruitment of sufficient staff in the South East is a problem. Although steps have been taken to improve the recruitment position following an internal review, but difficulties with recruitment are likely to persist, because of the demographic/labour market background, unless Civil Service pay rates become competitive. A reduction in demand for labour in London therefore seems the most practicable means of alleviating this problem. Most of the Outfield and Investigation Division posts which are in London need to remain there because they control activities which take place there (although the scope for some transfer out of controls is being looked at). In addition, the combined net effect of the Channel Tunnel and the Single European Market seems likely to increase demand for Outfield resources in London.

4.3 It follows therefore that if reductions in demand for staff in London are to be made, they will largely have to come from Headquarters. As indicated in Chapter 3, we do not consider that most Headquarters Divisions have an overriding work need for all their staff to remain in London and so in operational terms their presence in London is less essential than that of Outfield staff. Posts transferred out of London will be easier to fill elsewhere and experience suggests that recruits will be of better quality - at least at clerical levels - and less prone to resign. They will also reduce pressure on demand for labour for those posts which remain, making them easier to fill. Finally, there will be a windfall benefit as staff who do not wish to relocate with their posts can mostly be expected to fill existing vacancies in the South East.

4.4 The effect of demographic factors on the recruitment position in the 1990s strengthens the case for a significant relocation. The larger the relocation away from London the greater the total benefit to the Department. Conversely, maintenance of existing staff levels in London (HQ and Outfield combined) seems certain to lead to much worse problems in the mid-nineties than the Department is already facing.

PERSONNEL IMPLICATIONS OF RELOCATION

5.1 It is clear that Headquarters staff will have differing attitudes to relocation, especially as, unlike Outfield staff, many HQ staff would not have had any expectation of having to change locations. Mobile staff would be under an obligation to move with their posts if this was considered essential, but equally, even with a complete relocation of HQ, there would be sufficient posts remaining in the Outfield in the South East for vacancies arising through natural turnover to absorb all mobile staff who did not wish to go and, given the difficulty of filling London Outfield vacancies, this could in itself produce a benefit for the Department. (Depending on net moves in and out of Southend, some Southend staff may have to take posts in London, with excess fares/differential travelling payments.) Because some HQ staff will not want to work in the Outfield, it seems likely that the larger the relocation envisaged, the higher the proportion of staff prepared to transfer as the choice of alternative HQ jobs in the South East diminishes. However, this would include staff transferring reluctantly (and also staff moving to London Outfield jobs when they would have preferred to stay in HQ). It was to minimise these reluctant job or location changes that the Trade Union Side argued for a 50% relocation, to enable all staff aspirations to be satisfied. The other side of this coin is that transferring HQ posts outside the South East will enable more Outfield staff to gain experience of HQ work without the need to move to the South East, which many are reluctant to do.

5.2 Non-mobile staff cannot be required to transfer with their posts if they are relocated. Large-scale relocations of posts could cause difficulty in redeployment of non-mobiles, at least in Southend - there would be sufficient Outfield jobs in the London area to absorb any surplus there. In order to avoid compulsory redundancies in Southend careful consideration of the size and phasing of moves would be required. It may also be necessary to consider employing some casuals to fill vacancies which arise prior to a move in the affected areas.

PRIVATE OFFICE MODEL

6.1 We examined the models identified in paragraph 1.9 in turn in the light of our findings. We looked first at the Private Office Model, under which was envisaged relocation of the Board and all HQ London and Southend Divisions outside the South East. There would be retained office accommodation which could be used as a pied-a-terre by HQ staff while in London, whether for a one-day meeting or for spells of detached duty when a particular need arose. The only HQ staff permanently based in London would be a Private Office/Parliamentary Unit acting as a focal point for transmission of documents to and from the remote HQ.

6.2 We also considered a variant of this model, under which the London Private Office would include in addition a small policy liaison unit, headed at Grade 5 level. The purpose of this unit would be to undertake a representational role at the centre on behalf of policy-makers at the remote HQ. The Scottish Office London base includes a unit of this nature, whose task was described to us as "Whitehall watching". Such a unit would provide Ministers with London-based support. More Whitehall meetings could be attended than would be practicable solely from a remote HQ, which would help maintain formal and, to some extent, informal liaison. Travelling and thus time would be saved for policy staff. A representational unit would also act as an insurance that there would be a Departmental presence at very short notice meetings. The unit could also provide support to senior officials while they are in London. Because the posts would be seen as prestigious in career terms, we would not expect much difficulty in filling them (that is the Scottish Office experience). On the other hand, the staff of such a unit would be isolated from the rest of HQ, and they would not know the subjects they were covering in such depth as the Divisions with direct responsibility for them. These factors could lead to mistrust by the policy Divisions of the unit's technical and representational competence, which could create a difficult working relationship.

6.3 The advantage of either variant of the Private Office Model by comparison with the other relocation models would be the management benefit stemming from the fact that the Chairman and the whole of the Board would be in the same location as most, if not all, of Headquarters. This would give greater cohesion which should result in improved efficiency, greater corporate identity and a morale gain. This Model would also preserve internal communications within HQ.

6.4 The main disadvantages of the Private Office Model would be the dangers already referred to of the loss of policy influence and the distance from Ministers, with its implications for the service provided. There could be a loss of representation at some Whitehall meetings and a weakening of liaison with other departments, particularly informal liaison; there would also be the cost, in terms of time lost, wear and tear on staff and T&S, of officials having to travel for external meetings. Although these difficulties are present to some extent in any relocation model, they are at their most significant with this one. There are also the important personnel points that this model would cause severe difficulties in the absorption of non-mobile staff in

Southend, and would force staff who did not wish to move from the South East to give up HQ work. Finally, it would appear doubtful whether it would be possible to secure a favourable investment appraisal for a relocation of all of London and Southend HQ. This is essentially because of the very low PRS charges currently being paid for rent, rates and maintenance on the Southend estate. Although it is possible to secure lower charges outside the South East, the continuing savings would not be large, relative to the up-front costs.

6.5 We therefore considered as an alternative the option of relocation of all of London HQ, with only a Private Office remaining in London, but with no relocation of Southend HQ resulting from this review (although as discussed in paragraph 9.1 below there are other reviews which could reduce the number of posts in Southend). This option would provide a more favourable investment appraisal than emptying both London and Southend HQ. It would also avoid the need for compulsory redundancies in Southend.

6.6 This option would, however, retain the other disadvantages of the Private Office Model. It would also introduce one new disadvantage, that face-to-face contacts between the Southend offices and the relocated London HQ would become more difficult, as they would involve either a change of stations in London or a journey via the M25. Our survey indicated that the main source of face-to-face contact at present is the work on CHIEF, where meetings involve CDD and CDA1/2 from London, and CSD and A&CG from Southend, often with BTAT. These should be much reduced once the contracts are signed and specifications agreed. Apart from these the main contacts which London HQ has with Southend Divisions are with A&CG, TSD and the IT functions - the latter two being separately considered as candidates for relocation. MSD O&M work for Southend divisions could be handled from Southend, although that would create the need for travel to management meetings. Although video-conferencing would reduce the need for face-to-face meetings and difficult journeys for essential face-to-face meetings could be reduced by maintaining conference facilities in central London (although this would mean that both parties would have to travel), some communications difficulties would nevertheless result from this option.

6.7 Another drawback to this option is that it would result in a geographical distribution of Headquarters determined by cost factors and historical accident, without regard to Divisions' relative need to stay in the South East. Those Divisions at present in Southend generally have less need to be near the centre than those at present in London, yet under this option they would be the ones left in the South East, whereas London Divisions would be relocated. This option was not therefore considered attractive.

CORPORATE MODEL

7.1 Under this model it was envisaged that the Board would remain in London supported by two Divisions based on the existing DPU and CMG secretariat, expanded as necessary. All other technical policy and establishments Divisions from HQ London and Southend would be located at a remote HQ. This option would enable both the Department's influence at the centre and service to Ministers to be maintained to a somewhat greater extent than would the Private Office Model, as well as permitting formal and informal liaison on policy matters with other departments at Grade 3 level and above. But none of these issues is exclusively the province of the Board - the role of Grades 5 to 7 is crucial in all these areas, and there are some important issues which are in practice handled largely at those levels. There would be a risk that all policy questions where there is a Ministerial interest would be handled at Grade 3 level, diminishing the content of Grade 5 posts and going against Departmental policy. Further difficulties with this model would be:

- policy support for the Board on technical and management issues from the Divisions with day-to-day involvement in the subjects would become less efficient and effective through being remote;
- the difficulty for the Board of managing a remote HQ;
- loss of cohesion within the Department;
- loss of morale and alienation of HQ staff;
- time loss and cost for remote HQ staff in travelling to meet Board members;
- time loss and cost for Board members in travelling to the remote HQ to exercise their management role would largely negate the savings (compared to the Private Office Model) in attendance at London meetings;
- certain Divisions with close links both with Board members and with other HQ divisions would be in a particularly difficult position, notably FMD;
- it would not make any significant contribution towards providing HQ work for staff who did not want to transfer out of the South East;
- it would still leave the problem of absorption of Southend staff; and
- it would not produce a more favourable investment appraisal than the Private Office Model.

7.2 Having concluded that the drawbacks of this model outweighed the advantages, we examined two variants of it to see what benefits they offered. The first variant we considered limited the London office to the CMG plus minimum support, with the Grade 3s and their Directorates in the remote location. But this option

would limit the possible gains on influence, service to Ministers and liaison. Furthermore, it would merely transfer the difficulties of a split hierarchy one level higher.

7.3 The other variant we examined involved expanding the Board's support so that each Director would have a policy unit headed at Grade 5 level. ODA would naturally fulfil that role for the Director Outfield; in other Directorates new Divisions would have to be formed or new responsibilities added to existing Divisions if the Director were to be supported across the whole range of his work. These support units would be able to brief the Grade 3s and help them in their role at the centre. But there would be a danger that the London units would be seen as an elite, thus producing alienation among relocated staff. Without policy responsibilities, the Grade 5s would have an ill-defined role but would have the ear of the Directors. This could result in the relocated Grade 5s experiencing a loss of influence and seeing their London Unit equivalents as encroaching on their work. There would also be career development difficulties in staffing such a London office. Regular interchange of staff with the remote HQ would be essential so that the support units would not become too rarefied. And this variant would do nothing to solve the management problems resulting from the Corporate Model.

POLICY FUNCTIONS MODEL

8.1 Under this model, the Board would remain in London, together with those Divisions (or Branches) with the greatest need to stay there. The rest of HQ London would be relocated. The criteria for selecting those Divisions which would remain in London would be the sensitivity of their subject matter, the frequency of external London contacts (e.g. with Treasury Ministers or other government departments) and the links with the Board and other Headquarters areas identified as candidates for remaining in London.

8.2 The Policy Functions Model would offer several significant advantages compared to other relocation models:

- full support could be provided to Ministers and the Board in the more sensitive policy areas;
- influence and liaison would be maintained in those areas at working level;
- it would give the Department greater flexibility in responding to changes in work requirements e.g. 1992; and
- staff aspirations could be more readily met, since a substantial number of HQ posts would remain in London yet there would also be a significant number of HQ posts available outside the South East for those staff who did not want to come to London.

8.3 There are also a number of potential difficulties attaching to the Policy Functions Model:

- the difficulty of managing Directorates most, if not all, of which would inevitably be split between at least two sites (although only one Directorate is wholly in a single site at present, under the Policy Functions Model the remote parts of Directorates would be larger, have a higher profile than at present and be geographically further apart);
- a lack of cohesion in the remote HQ because it would be made up of work areas which had few links with each other;
- possible lower morale in the remote office, resulting from a feeling that the Board attached less importance to its work; and
- the difficulty of attracting ambitious HQ staff to the remote HQ, partly because of the feeling of second-class status and partly because of the likely need to move back to London for promotion.

However, given the importance of retaining the advantages offered by the Policy Functions Model in any relocation, these

difficulties are not overriding. We therefore concentrated further study on this model.

8.4 Our work was based on the diary record survey described in paragraph 1.11 above and Appendix B. Our findings on individual work areas are also set out in Appendix B. We first considered whether the core of Headquarters remaining in London should consist entirely or very largely of technical policy work areas, or whether establishments areas should also be included. In fact the survey showed that contacts with Ministers and other departments were widely spread (albeit more concentrated on the technical side) and contacts with Board members were more frequent on the establishments side. We therefore concluded that the London core should be drawn from the whole spectrum of Headquarters.

8.5 We next constructed variants of the Policy Functions Model by looking at the possible composition of a core HQ remaining in London. In drawing up the variants of the core, we were not constrained by existing Divisional structures, because we considered that, if necessary, Assistant Secretary commands could be reorganised to reflect the groupings of Branches at the various HQ locations. We have not included the Solicitor's Office in the models described in this section.

Narrow Core

8.6 The work areas which would form the foundation of the core would comprise:

- DPU Branches 1, 3 and 4 (i.e. excluding the Statistics Branch);
- FMD Branches 1, 3 and 4 (i.e. the London Branches excluding the SIEB); and
- the Press Office element of the Press and Information Office.

8.7 This would be very similar to the London core envisaged under the Corporate Model, and would have the disadvantages associated with that model. It therefore merely serves as a bench-mark for considering other work areas' claims to be included in the core. If the core were limited to these areas, only the CMG and the Director Organisation post would remain in London, although there could also be a case for retaining the Director Internal Taxes post, if its external links and its links with the CMG and DPU were regarded as more important than links with Divisions in IT Directorate. Such a core would contain about 40 mobile and 20 non-mobile staff, plus support services. In communications terms, the main difficulties faced by the narrow core would be:

- the fragmentation of the Board;
- FMD's remoteness from its contacts, particularly with ODA and PDE and on Channel Tunnel work; and
- DPU4's remoteness from other 1992 work.

Medium Core

8.8 The branches which would have the next strongest case for forming part of the core would be:

- CDB6 - has a good case for a London location, but has no strong links with other core work areas;
- CDF1 - 1992 work element only; and
- certain Personnel Directorate areas - PDB5, PDC1, PDD1 and PDE1 and 2 - with the Director Personnel post and two London PD Grade 5s.

8.9 A medium core would contain about 100 mobile and 30 non-mobile staff plus support. Compared with the narrow core, the medium core would ease communications difficulties between FMD and PDE, and also between DPU4 and the main Customs Directorate contact on 1992. Conversely:

- CDB6 and CDF1 1992 staff would be remote from their Director and probably Assistant Secretary.
- CDF1 would be separated from other CD Branches, whose experience it may need to draw on for 1992 work.
- PDA would be remote from the Director PD.

Wider Core

8.10 We finally looked at a wider core HQ model, containing all the Branches which we accepted had some need, in terms of their contacts, for forming part of it. On this basis, the core would contain:

	<u>Mobiles</u>	<u>Non-mobiles</u>
- Board (except Director VC)	11	8
- DPU (all branches, including Statistics and Parliamentary Unit)	24	9
- FMD (Branches 1, 3 and 4)	16	5
- Press Office	5	2
- Core Personnel areas identified in 8.8 above	47	8
- Second tranche of PD Branches, consisting of all PDA; PDB 2, 3 and most of 4; PDC2, 4; sufficient of PDD4 to run a London library; and another 2 grade 5 posts	52	46

-	ODA	34	14.5
-	Purchasing Unit	6	2
-	RAMCS (part-provisional figures as complement subject to review)	38	2
-	The Customs Branches dealing with CHIEF; i.e. CDA1, 2 (except FIU); CDD2, 4-8 plus 1 grade 5 post	70	12
-	Core Branches of Customs Directorate (CDB3, 5, 6; CDE1, 2, 3, 4; CDF1,2 (Mutual assistance work), 3 and part of Directorate Resource & Planning Unit plus 3 Grade 5 posts)	66	22
-	VAT Administration Divisions, plus VI4 and the VAT valuation part of VI3	104	13
-	PMU staff (sufficient for smaller London office)	19	110
	TOTALS	<u>492</u>	<u>253.5</u>

(The complements figures are as at 31 March 1989.)

None of the work currently in Southend would form part of the London core.

8.11 The wider core model would ease the communications difficulties we identified with the narrow and medium core models, and would not appear to introduce any significant new problems. Although the make-up of the wider core reflects current 'flavours of the month' and work-levels, it does, to some extent, take account of foreseeable future developments where work on them is already in hand, such as 1992 and the Channel Tunnel, because the main Branches dealing with them (DPU4 and CDF1 for 1992 and CDF3 and CDE4 for the Tunnel) would be included in the core. If all the establishment Branches listed above were included in the core, face-to-face contact on such aspects of these issues as running costs, personnel matters and Outfield management could be maintained. The main difficulty is likely to arise for the technical policy Branches for these subjects when they need to consult remote technical Branches which may be affected, particularly on 1992 e.g. the relationship between excise duty harmonisation and reducing border controls. Of course, such consultation does not always require face-to-face contacts, and where it does the need for some travel within a relocated HQ will have to be accepted. But the potential contacts could arise almost anywhere in the technical Divisions. It is not therefore

possible to provide a model for any significant relocation guaranteeing co-location for all such potential contacts.

8.12 If all the candidates for the wider core model were retained in London, the following areas of London HQ would be outside the core and would therefore fall to be relocated:

	<u>Mobiles</u>	<u>Non-Mobiles</u>
CDA 2 (FIU only), 3 to 6	70	25
CDB 1, 2, 4	19	5
CDC	77	18
CDD 1, 3	23	4
CDE 5	13	2
CDF 2 (Carnet work)	3	1
CDH 3, 4, 5	28	13
IAU 1	18	3
RAMCS (Part, to form a provincial office - provisional figures as complement subject to review)	23	2
PDB 1, part 4	8	4
PDC 3	4	3
PDD 2 (part), 3, 4 (part), 5	48.5	51.5
1PD A/S post	1	1
RDA	29	6
RDB	29	7
Technical Equipment Support Branch	6	2
VI 1, 2, 3 (Diplomatic privilege)	19	4
PMU posts	10.5	63
	<u>429</u>	<u>214.5</u>

The balance of posts in London HQ are the former MSD (OT) posts whose location will be covered by the review of location of IT functions.

SOUTHEND

9.1 We have already noted that, in our view, none of the present Southend Divisions need to form part of the London core. Aside from our study, the following location changes affecting Southend have been decided or are being considered:

- a total of 192 posts in VCB Southend will to move to Merseyside, the move to be completed by August 1990;
- a separate review is being undertaken of the location of IT work, including the VAT II Project, to consider whether relocation would ease problems of recruiting and retaining specialist staff;
- the location of IAU3, computer audit, whose main face-to-face contact is with the IT function, will need to be looked at in the light of decisions on the review of the location of IT work;
- if a residential training centre were to be approved following the outside consultants' study, it would be necessary to review TSD location in the light of that decision.

Partially offsetting these changes, it has already been decided to create 33 new posts in the Statistical Office by relocating some work from CDC (the net reduction in London is 71 posts) by March 1990, following the 1988 Efficiency Scrutiny on the Administration and Interpretation of the Integrated Tariff.

9.2 Apart from the changes set out above, there would be a case for relocating the remainder of VC Directorate. If this was moved to Merseyside it would have the benefit of creating an integrated VC Directorate in a single location. It would also free accommodation in Southend (for rationalisation of the estate or accommodating staff decanted from London) more quickly than the changes set out above would allow. Our studies showed that VCA, VCD and VCU did not have sufficient contacts in the South East to prevent relocation. VCE's main contacts are with the CSD VAT II Team and the other VC Divisions. Although it would not be practicable to move all of VCU until after the VAT II System becomes operational (planned for 1993), some VCU functions, such as post opening, could be moved earlier, as could the other VC Divisions, although careful timing would be required to minimise problems in the run-up to VAT II implementation.

9.3 If the whole of VC Directorate were relocated out of Southend, IAU4, which deals with VAT audit, should also be relocated as its contacts with VC are more frequent than those with VA.

9.4 In looking at the options for the future of Southend there are potentially major staff recruitment and retention difficulties which need to be taken into account. Any decanting of posts from London to Southend would probably lead to a change in the grade mix at Southend, with an increase in the proportion of executive staff (only VCA, VCD and VCE have a similar grade mix to London

technical Divisions). Although unfilled vacancies at executive levels are fewer than in London, this has largely been achieved as a result of internal promotions (last year about 80% of promotions to HEO and SEO in Southend HQ were internal). We also understand that recruitment at all grades up to Grade 7 is becoming increasingly difficult in Southend, and this can be expected to be exacerbated by the effects of the new pay agreements enhancing London differentials. Finally, Southend is an unpopular location for inward transfer - it does not offer London-based staff the advantages which a move outside the South East could give (and for staff moving into the South East costs are nearly as high as London without compensating pay advantages). We understand that none of the current postholders in CDC wishes to transfer with the work to Southend, and there is no reason to suppose other London staff would take a different view (unless they already live in the Southend area).

9.5 Bearing these factors in mind, there are three possible options for the future of Southend:

- a. It would be possible to reduce the size of the Southend estate, either only to the extent implied by the changes in paragraph 9.1, or further by some additional moves of posts out of Southend. The main advantage would be that this would help reduce the recruitment and retention difficulties there. Although Southend accommodation is relatively cheap, it would still be possible to find cheaper accommodation outside the South East.
- b. Alternatively, posts from non-core offices currently in London could be transferred to fill the vacated accommodation. As this would involve a move to existing Departmental buildings, such a move would not involve any uncertainty over finding accommodation. For those work areas which have some need to be near the core or near London for external contacts, this option would enable them to take advantage of low cost accommodation near to central London (the current PRS accommodation charges, at up to about £100 per sq m, are around 20% of NKBH charges).
- c. The final option is a mixture of the other two, allowing for some rationalisation of the Southend estate, but keeping Alexander and Portcullis Houses (this would be in line with a recent suggestion that the Department take over responsibility for these two buildings from the PSA).

9.6 If it were decided to move posts from London to Southend in conjunction with a Policy Functions Model variant, the non-core part of Customs Directorate would seem to be the most obvious candidate, given the number of posts already in Southend or having been earmarked for a move there. Customs Directorate also has a preponderance of its Outfield contacts in the South East, because of trade patterns, and Southend Airport would provide convenient connections to Brussels. The closeness of Southend to London, would also minimise any problems resulting from a split Directorate. Such a move of Customs Directorate posts to

Southend could be undertaken in conjunction with other moves from London to a location outside the South East. But, unless some further VC posts were moved out of Southend, there would probably be insufficient space within the existing Southend estate until 1994 for the non-core posts, and the increase in executive grade posts would exacerbate staffing difficulties at those levels. One option would therefore be to move CD branches to Southend in stages, as space became available from other moves or staff reductions. This would help provide work for staff who wish to remain in Southend but whose posts disappear, and may also reduce the disruptive effect of moves on staff and their families.

9.7 If Customs Directorate posts are moved to Southend, Southend could also be considered as the location for the work of VII and 2 (VAT imports and exports), as they have closer work contacts with many CD Branches than with VAT Administration.

SOLICITOR'S OFFICE

10.1 Our review of the location of the Solicitor's Office was carried out as a separate exercise, because of the different considerations which applied. Our conclusions were that although a large part of the Solicitor's Office needs to stay in London for operational reasons - the greater part of their court attendance is in London - it would be feasible to establish a provincial office to handle:

- prosecution work arising in Belfast, Birmingham, East Midlands, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Northern England Collections;
- VAT Tribunal work arising in the same nine Collections;
- some criminal advisory work;
- all work of the Civil Recovery Unit except for the representative work in the High Court in London; and
- any advisory work for administrators in the same location as, or close to, the provincial Solicitor's Office - on the basis of our findings on the wider core relocation model, this would offer scope for relocating the Solicitor's Office Divisions which advise VAT Control Directorate and the Revenue Duties Divisions.

10.2 These conclusions are subject to the outcome of the various legal reviews currently under consideration by the Government, which may lead to changes in Departmental legal practice. This is particularly true of the Civil Justice Review which could change the basis on which the Civil Recovery Unit works, by delegating civil recovery action from the High Court to the County Courts. It is not at present clear when any changes will be implemented, but it would be advisable to take them into account in any decision as to relocation of the Unit's work. The conclusions are also subject to sufficient professional staff being available for the provincial office.

10.3 The net effect of these proposals would be to establish a single provincial office with 94 staff (19 lawyers, 35 non-legal mobile grades, 40 non-mobile grades). Solicitor's Office staff remaining in London would total 147.5 (64.5 lawyers, 44 non-legal mobiles, 39 non-mobiles). This represents a relocation of 39% of the total staff of the Solicitor's Office and 23% of the lawyer posts. Apart from the two advisory divisions our proposals on the Solicitor's Office are independent of our other findings on the main HQ relocation review.

10.4 The volume of work to be transferred to a provincial Solicitor's Office would only justify a single non-London location. We have concluded that, for operational reasons, Manchester would be the location offering the greatest effectiveness for the provincial office.

REMOTE HQ: SINGLE OR MULTIPLE SITES

11.1 The question arises in any relocation outside the South East whether the work to be relocated should be moved to a single or multiple sites. If the London core were limited to those Branches set out in paragraph 8.6 or 8.8 (the narrow or medium core models) then there would be some significant cross-Directorate links within the remote HQ functions, chiefly between ODA and the remote PD Branches and, at least in the short term, between CDD CHIEF Branches and CSD, and between CDF2 and both ODA and PDA. But if the London core covered all the areas listed in paragraph 8.10 (the wider core model) then cross-Directorate contacts among the remote Divisions would be much more limited, the main one being between RAMCS and sponsor Divisions and, to a lesser extent, between VI and the remote CD Branches. There would also be contacts between relocated advisory Divisions of the Solicitor's Office and their administrators in VC and RD Divisions.

11.2 We have assumed that, for management reasons, all the remote Branches of a single Directorate (as at present constituted) would be co-located, even where there is little need for work contact between the Branches, with the one exception that VII and 2 should be co-located with the CD Branches, rather than the RD Divisions of IT, since their work contacts are with CD. Thus, if it were decided to go to separate locations, it would be possible to envisage as many as six locations, as follows:

- a. VAT Control Directorate (presumably in Merseyside);
- b. Customs Directorate plus VII and 2;
- c. Revenue Duties;
- d. Personnel Directorate (one possibility would be location at Lytham St Annes, where there are already 2 PD Branches - alternatively those Branches could be transferred to wherever the remote PD Branches are sited);
- e. Solicitor's Office (which we have recommended for Manchester);
- f. CIR services (although the MSD functions would have significant contacts with the rest of HQ, they would be diffuse, so that good communications would be more important than co-location with any particular work area).

11.3 The main arguments in favour of separate locations are:

- It would enable smaller locations to act as recipients for relocated work, which could enable more attractive sites to be chosen.
- The greater choice of locations could increase the number of staff prepared to accept relocation.

- The spread of HQ work to several locations would make it possible for more staff currently in the Outfield outside the South East to obtain experience of HQ work without moving home.
- Separate locations would make it easier to provide for any special needs e.g. CD branches' need to have access to Brussels flights.
- Separate offices would widen the potential source of recruits for clerical grades and EO.
- Smaller offices would increase the scope for occupying rented accommodation rather than new-builds, with lower up-front costs and the potential for speedier implementation.

11.4 The main drawbacks to dispersing the remote HQ work areas around several sites are:

- Career development within HQ and matching people to particular posts would be made more difficult as staff would need to move home to obtain wider experience of HQ work (although this would be offset to some extent by greater interchange between HQ and the Outfield).
- The reduced scope for building a career at a single remote location could make some staff reluctant to move out of London.
- Staff in small offices could feel more remote from the centre, with attendant dangers of a loss of corporate identity and feelings of neglect and isolation;
- There could be duplication and loss of economies of scale on support services such as PMUs;
- Separate offices would lead to certain increased capital costs e.g. for additional video conferencing and data links.

11.5 The arguments are finely balanced but, in the context of the numbers involved in a wider core Policy Functions Model relocation, they do point to rather fewer than six sites. Another important consideration is the distance, and ease of travelling, between sites if there is more than one. If, given the number of staff already there or announced to move, it is accepted that Merseyside is the location where VC Directorate would be brought together, this would point to any other relocation site also being located in the North West. In the remainder of this report we have assumed, for illustrative purposes, that a second relocation site would be Manchester (it is our favoured location for the Solicitor's provincial office).

RELOCATION TIMETABLE

12.1 We have also considered a possible timetable for relocation of work from London and Southend HQ under the wider core Policy Functions Model, as set out in this report.

12.2 There are a number of constraints which govern the timetable:

- the moves of VCB to Merseyside and CDC Branches to Southend have already been announced for completion at the latest by August and March next year respectively;
- moves of posts, in particular non-mobile posts from Southend, need to be phased to offer the maximum scope for absorption of staff who do not transfer with their work;
- moves of staff to Southend should balance, as closely as different grade mixes would allow, moves out of Southend, with as little gap between them as possible;
- the move of the VCU cannot be completed until 1993-94, after the implementation of VAT II is complete, particularly because local keying, which may result from this, may offer some scope for a reduction in the number of posts to be transferred;
- the holding of empty accommodation awaiting staff to move into it should be minimised so far as possible (given the scale of the move from Southend to Liverpool it cannot be eliminated); and
- disruption in the period running up to the Single European Market and Channel Tunnel changes should be minimised as far as possible for the work areas affected.

12.3 Taking these considerations into account, this points to the following timetable for moves:

<u>Date</u>	<u>Work area</u>	<u>Move</u>	<u>Number of Posts</u>
1989-90	VCB (Process units)	Southend-Liverpool	55
	CDC (Tariff Branches) (recommended by Efficiency Scrutiny)	London-Southend	33
			(net increase)
1990/91 (early)	VCB (remainder)	Southend-Liverpool	137
	CD (Tariff related work: CDC2,3; CDH3,4,5; plus CDA4)	London-Southend	134
	Solicitor (Prosecutions and VAT Tribunal work)	London-Manchester	30

(later)	VCA,D,E	Southend-Liverpool	130
	CD (remainder identified for move)	London-Southend	101
1991/92	VCU (1st tranche - post-opening, data preparation and keying)	Southend-Liverpool	300
1992-93	RD, TESB, VI3 (Diplomatic Privilege), IAU1, a RAMCS office, non-core PD Branches, Solicitor's Office (Civil Recovery Unit plus 2 Advisory Divisions) IAU4	London-Manchester	315
		Southend-Manchester	17
1993-94	Remainder of VCU VI1,2	Southend-Liverpool	539
		London-Southend	17

In addition, PMU posts would be reduced in London and Southend and increased in Liverpool and Manchester to take account of differing needs as staff numbers vary.

COSTS AND BENEFITS

13.1 We have produced an illustrative appraisal of the costs and benefits of a relocation programme along the lines set out in paragraph 12.3.

13.2 The appraisal assumes a Crown build for the Liverpool Office and rented accommodation in the second location, taken to be Manchester. The numbers in Liverpool would make it very difficult to find a single office available for rent big enough to accommodate all of them, and there are also other advantages, in terms of obtaining a building which more closely matches the Department's needs and offers a more favourable investment appraisal than renting accommodation of a comparable standard. (We have excluded from the appraisal the rental element of the PRS charge for the Crown-owned building as this is only a transfer payment.)

13.3 The appraisal is also based on a number of assumptions which represent best estimates of orders of magnitude for the costs of various factors. These are not based on detailed consideration of the issues by the Divisions concerned, so they should not be taken as necessarily indicating what Departmental policy will be in these areas. Factors affected include:

- construction costs of the new build in Liverpool and PRS charges in the new locations (which depend on what sites or buildings are available as well as choices made);
- PRS savings in the South East (which depend on decisions on which buildings are to be given up);
- personnel issues (e.g. the proportion of relocated posts filled by Crown Transfers); and
- provision of communications links such as video-conferencing.

13.4 Because the large majority of relocated staff are assumed to be in a new build, we have calculated the illustrative investment appraisal over 60 years, using 1989-90 prices. This appraisal shows that for the series of moves up to 1993-94, break-even would be reached in 1999-2000 with a cumulative NPV of £48m. Total up-front costs in terms of net additional expenditure, would amount to £29.8m, broken down as follows (totals do not sum because of rounding):

	<u>Capital</u> <u>(£m)</u>	<u>Current</u> <u>(£m)</u>
1989-90	2.3	0.2
1990-91	8.7	2.7

1991-92	10.1	0.6
1991-93	2.8	2.3*

(* In addition, from the Departmental point of view, £1.9m would be required to meet the PRS rental charge on the Liverpool Crown build.)

The costs incurred in 1993-94 would be more than covered by the running costs savings accruing that year; over the ten year period from 1993-94 there would be total running cost savings of nearly £50m (although the saving on Departmental running costs would be some £19m less over the period because of the PRS rental charge on the Liverpool Crown build).

13.5 Details of the appraisal and of the assumptions used are set out in Appendix E.

INVESTIGATION DIVISION LONDON

14.1 Our review of the location of the London Office of the Investigation Division was conducted as a separate exercise. Our month-long surveys of operational activity and management's essential contacts implied that operational effectiveness does not, of itself, require London ID as a whole to retain a central London location. The survey evidence suggested that:

- the senior management team (at CIO and DCIO level) and operational staff do not need to be co-located;
- the senior management team has the stronger case for a central London location; and
- in terms of the geographical distribution of their work, operational staff could be housed away from central London, probably to the north or north west of the capital.

14.2 However, there are other factors and arguments which must be considered in reaching conclusions. These factors include:

- Corporate identity - This would be improved if ID London were located at a single site.
- Flexibility - A single site would increase flexibility of deployment between Teams or even Groups, enhancing not only operational effectiveness, but also facilitating career development.
- Management - The physical separation of senior management from operational staff could cause management control problems, risks and weaknesses.
- Morale - There could be a loss of morale amongst those members of the Division who might be relocated, particularly if only the smaller part of the ID were to go.
- Security - The Custom House site has built-in security advantages including close-circuit television, alarm systems and a large, on-site, secure car park. In addition it has a custody suite, a drugs warehouse and incinerator, and the provision of around-the-clock access.
- Influence - A move of the ID away from central London could reduce the Department's policy influence in Whitehall, particularly with regard to drugs. Similarly, liaison links with Embassies, other government departments, the police, and media could be adversely effected; and overseas visitors from drug enforcement agencies for governments would be less likely to consider including an out-of-town location on their itineraries.

- Communications - A single location would ease both formal and informal contacts between staff at all levels.
- Effect on staff - ID staff live in randomly scattered areas of Greater London and beyond, equally divided between the North and South of the Thames. The Custom House site, with its five nearby railway termini and, in addition, car parking facilities, is therefore an ideal nodal point. Any relocation away from a central site would be less convenient, with the the risk of staff disaffection and even transfer out despite the lure of the work itself, and this at a time when the ID is running some 90 posts under complement.
- Operational convenience - Custom House is located at a nodal point, which makes it convenient as an operational base for the whole region.
- Economies of scale - Both SIEB and NAO have drawn attention to the waste of resources in support grades arising from the inefficiency of multi-building occupancy.

14.3 However our discussions with senior management confirmed our view that there was no over-riding reason, other than the short term operating difficulties which could arise through the loss of experienced personnel, why the CEDRIC Teams, amounting to 35 posts, needed to be co-located with London ID. What contacts the operational CEDRIC staff have with the remainder of the Division do not have to be face-to-face. Their most frequent contact occurs with the Intelligence Teams, and the latest software should enable those Teams to speak direct to the system, without going through CEDRIC B. The systems development staff in CEDRIC A, like the development staff in CSD, do not need to be co-located in the South East with their principal clients. As a non-Departmental system (Bull computers have the contract) with national coverage CEDRIC and its posts could be co-located with any one of the ID's provincial offices which would produce substantial savings in accommodation costs.

14.4 We have carried out an illustrative investment appraisal of the relocation of CEDRIC work. Details of the results and assumptions used are contained in Appendix F. This shows that for a move in 1990-91 an NPV of £2.2m could be obtained, with break-even in 1993/94, up-front costs amounting to £0.4m (all figures in 1989/90 prices). The illustrative appraisal has been costed on the assumption that CEDRIC would be co-located with the Manchester ID office, but it could equally be co-located with any other provincial ID office where accommodation was available. We conclude that there are good grounds for relocating CEDRIC work away from the South East, assuming that:

- suitable use can be found for the space vacated in the Custom House; and
- the small number of staff involved in developmental work have access to first-rate IT communications links.

14.5 It is unlikely that a favourable investment appraisal could be secured for relocation of any other ID work. Given that it would have to be relocated to outer London, the likely continuing PRS savings would be too small to offset the up-front costs of providing the necessary security, custody rooms, etc., and transfer costs. Taking into account also the evidence and arguments set out above, there is therefore at present no case for relocating any other ID work.

APPENDIX A
(Referred to in
paragraph 1.5)

HEADQUARTERS ESTATE

Listed below are the buildings occupied by Headquarters staff with a few minor exceptions (mostly single officer posts for Regional Welfare Officers housed in Collection accommodation and storage space). The accommodation planning totals for staff in each building, its floor area (the Departmental ALA), the PSA's total accommodation (PRS) charge and the PRS rate per square metre are also shown. The sums shown are PSA's 1989-90 charges to the Department.

<u>Building</u>	<u>Staffing</u>	<u>ALA</u> <u>(sq.m.)</u>	<u>PRS</u> <u>charge</u> <u>£</u>	<u>Charge</u> <u>per sq.m.</u> <u>£</u>
<u>HQ London</u>				
New King's Beam House	1175	24018.5	10,808,440	450.00
Dorset House	483	8185.9	2,735,355	334.15
Woolwich Arsenal	40.5	3276.4	210,717	64.31
Canons Park	10	124.8	11,669	93.50
<u>HQ Southend</u>				
Portcullis House	816	11277.8	1,096,742	97.25
Baryta House	60	1387	137,865	99.40
CE Heath House	62	1806.8	153,354	84.88
Carby House	161	3726	301,765	80.99
Alexander House	1709	21208	2,169,719	102.31
Prudential Building	68	2124.4	168,314	79.23
Shoeburyness	155	3317.2	309,163	93.20
<u>HQ Liverpool</u>				
St Johns House Bootle	303	4595.9	356,516	77.57
<u>Elsewhere</u>				
Marine Branch Portsmouth	17	498.8	26,504	53.14
Computer Audit Unit Burton House Wilmslow	21	527.1	72,481	137.51

Anthony House Lytham St Annes (shared with Liverpool Collection)	3	72.0	4,869	67.3
Petros House Lytham St. Annes (shared with Liverpool Collection)	29	445.6	29,575	66.37
<u>Investigation Division</u>				
New Fetter Lane	209	2535.3	654,646	258.21
Harmsworth Home	338	5163.7	1,085,616	210.24
Custom House (shared with London Port Collection)	131	3457.4	772,849	223.53
Pocock St. Garage	8	2425.6	194,188	80.06
249-261 West George Street Glasgow	38.5	741.1	117,957	159.16
Aldine House Salford	41	801.6	74,874	93.41
10 Eastgate Leeds	26	453.4	40,760	89.90
St James House Birmingham	44	972.2	89,592	92.15
Eagle House Bristol	20.5	500.9	48,702	97.23

APPENDIX B
(Referred to in
paragraphs 1.11
and 8.4)

ANALYSIS OF CO-LOCATION AND LOCATION ARGUMENTS

A. DIARY RECORD SURVEY METHODOLOGY

B.1 The diary records survey was carried out in order to enable us to analyse essential face-to-face contacts in more detail, and to substantiate the information we had been given in questionnaires and interviews during the first stage of our review. We asked Grade 5s, Grade 6s and Branch staff down to EO level to keep diary records of all essential face-to-face contacts in the period 21 November to 16 December.

B.2 The survey covered all areas of London and Southend HQ, except the following :

- CDC1 and 5 to 8) Their co-location had been examined
- Statistical Office) by the Efficiency Scrutiny of the Administration and Interpretation of the Integrated Tariff, which reported in November 1988.

- IAU) Statistics on essential face-to-face contacts in
- MSD) these disciplines had been obtained by the April
- SIEB) 1988 MSD Review of Location of CIR Services.

- CSD - subject to the Campbell Review on the Reliability of Mainframe Systems.

- VCB - covered by an earlier location review.

- VCU - subject to the VAT II Business Review.

- Solicitor's Office - which we were reviewing separately.

- London and Southend PMUs - it was accepted that any HQ location would require a PMU, albeit its size and organisation would depend on the size of the office.

- Existing Southend offshoots of London offices e.g. Central Community Transit Office, Pay Branch.

Nor did the survey cover VCE, which had just been set up when the period started, mainly to carry forward implementation of the VAT II Business review. In addition TSD's returns were set aside, pending the outcome of the outside consultant's review of a residential training centre, as that could subsume the whole question of TSD's location.

B.3 Over 2700 reports of meetings were analysed, amounting to over 4000 contacts (the difference being accounted for by multilateral meetings). In analysing the data received, we excluded all contacts where respondents had stated that

alternative means of communication would have been acceptable. We also excluded formal training, boarding and sifting, PMU contacts and contacts solely for the delivery of papers, as these were regarded as having no locational value.

B.4 Two factors needed to be borne in mind in analysing the survey returns:

- a. The diary record survey covered a period of one month, which was not necessarily a representative sample of a Branch's contacts. To counter this we asked respondents to tell us if, and to what extent, the contacts shown were atypical. Fifteen did so - all bar one saying that the number was less than normal - and we took account of these replies.
- b. It was clear that the term "essential face-to-face contact" was interpreted differently by respondents e.g. because of different degrees of experience of video-conferencing, which was only introduced in this Department in mid-December (at the end of the survey period).

B.5 Details of contacts reported were analysed by computer. In the first instance, we examined the contacts shown between Branches within Divisions to establish which Divisions or parts of Divisions (as currently organised) needed to be co-located because of the level of inter-Branch contacts. Only A&CG, CDC2 & 3, the CHIEF grouping (CDD2, 4 and 6 to 8), FMD (except Branch 2) and RDB had sufficiently high levels of inter-Branch contacts to form units which hung together, as "families". We also assumed that VCA and VCD would each form a family for the purpose of our analysis. In all other HQ Divisions we treated each Branch as a separate family.

B.6 For each of the families we identified, we examined the contacts shown outside the family together with our evaluation of them. These contacts fell naturally into two categories:

- (a) Contacts with other HQ offices ("internal" contacts). These indicated which other families the family needed to be co-located with. Also, to the extent that they indicated a need for co-location with families with a strong case for remaining in London, they had a locational value.
- (b) Contacts with the Outfield, Ministers and non-Departmental bodies ("external" contacts). They were only relevant as pointers to a locational need.

B.7 We looked at the results of this analysis in order to test the strength of each family's case for forming part of the "core" HQ remaining in London under the Policy Functions Model and also to examine whether any groups of families needed to be co-located, whether in London or elsewhere. In doing so, we took account of all the contacts which had been reported to us, no matter what classification we had given them. Because of the possible distortions noted in paragraph B.4 above, we also took into

account the information we had obtained last summer from Grade 5 questionnaires and interviews in reaching our conclusions. These conclusions follow below.

B. ANALYSIS OF ARGUMENTS

A&CG

B.8 We accepted the A&CG's office as a single family because of the high level of internal contacts shown, particularly between branches 2, 4 and 5. No strong co-location needs were indicated outside the Division - although there were frequent contacts with CSD it appeared that most of these could be replaced by different arrangements or by changing work patterns if the two divisions were separately located. Otherwise the contacts were diffuse, both as to persons within the office and as to the contacts. Contacts with CMG - mainly about PAC briefing - were not frequent enough to justify regarding A&CG as part of the core. External contacts were mainly with NAO and the European Court of Auditors, but these had no locational value, as contacts with both would continue to take place wherever the A&CG was located.

Customs Directorate

B.9 The Efficiency Scrutiny of the Administration and Interpretation of the Integrated Tariff concluded that the work of CDC1 and CDC5-8 should be amalgamated with the Statistical Office and transferred to Southend. This recommendation has been accepted for implementation by 31 March 1990. We did not ask these areas to complete diary records, but apart from contact between CDC2&3 and CDC5, there was no significant number of meetings shown by the other respondents with these branches.

B.10 Within Customs Directorate we identified one clear grouping of work, related to CHIEF and other computer developments. This consisted of:

CDA1 & 2 (co-ordination of present import procedures) except the Freight Intelligence Unit;

CDD5 (current export procedures); and

CDD2, CDD4 and CDD6-8 (development of CHIEF etc).

The main internal contacts of this grouping were with CSD and A&CG, already remotely located in Southend. But the main apparent locational constraint was external - the meetings with BTAT - although the number shown in the period was exceptionally high because of the sensitive stage of the contract negotiations. Nevertheless, meetings are likely to continue at a significant level, and given that the BTAT team working on CHIEF will be located at West Drayton this would point to this grouping remaining in London.

B.11 The remaining Branches in Customs Directorate fell into two groups: those which had some significant levels of face-to-face contact, and those which did not. In the former group were the following Branches:

CDB3 - Export licensing, COCOM, counterfeit goods - is an increasingly high profile area which needs to be located near the centre.

CDB5 - Administrative aspects of legal questions - had some contacts with Division J (Criminal Advisory) of the Solicitor's Office and, although not evident in our sample period, we had earlier been told that it had significant contact with Ministers and the Board.

CDB6 - Drugs - frequently attended meetings with other government departments at which the ID were also present, but had no close internal contacts.

CDE1 - Preventive policy - and CDE4 - Smuggling. The Assistant Secretary CDE had the highest number of contacts with his Director of any Grade 5 in a technical Division, and these contacts were mainly in the areas which were the responsibility of CDE1 and 4; the Assistant Secretary and the Principals of these two Branches had contact with Ministers; but at Branch level no other significant contacts were shown.

CDE2 - Ships' Stores - and CDE3 - Aircraft, approvals of ports and airports - are both Branches whose external contacts with London-based bodies justify a London location.

Directorate Resources and Planning Unit in CDF. The Principal had frequent, brief contacts with the Director and CD Grade 5s. Although many of these reportedly did not need to be face-to-face, we accept that most of the Branch should be located near the Director.

CDF1 - 1992 and International. The Grade 6 had frequent contact with the CMG and significant links with DPU and diffuse links across technical policy areas. One HEO works to him directly. The rest of the Branch acts as a co-ordinator and could have links with any of the other CD Branches.

CDF2 - Mutual assistance and Community carnets. The mutual assistance work is closely linked with the International work of CDF, but the Community carnet work does not need a London location.

CDF3 - Channel Tunnel - had frequent contacts with FMD, ODA and PDA (the only area where significant links between technical and establishments Divisions were shown) and also needed a South East location because of its frequent meetings with Outfield staff, traders and trade associations based there.

B.12 The Branches which showed no co-location or location needs were:

CDA2 - Freight Intelligence Unit only;

CDA3 - Customs warehousing (this also applied to the free zones work transferred from CDE2);

CDA4 - Valuation (although this Branch had the highest number of trader contacts, they were spread thinly around a very large branch);

CDA5 - Inward Processing Relief;

CDA6 - Duty repayments and remissions;

CDB1 - Import licensing;

CDB2 - Prohibitions and restrictions;

CDB4 - Postal imports/exports and pornography;

(Although these CDB Branches attended meetings at other government departments, the meetings were widely spread.)

CDD1 - Community Transit (except Brussels representational work);

CDD3 - TIR traffic, containers

CDE5 - Personal reliefs;

CDF2 - Community carnet work only;

CDH3 - Tariff quotas;

CDH4,5 - Preference.

Departmental Planning Unit

B.13 The Assistant Secretary attended the equal highest number of Ministerial meetings of any Grade 5 in the period, and with a significant level of meetings with CMG, official Treasury and other government departments, that post had one of the best cases for a London location. Of the Branches, DPU4 (1992) had frequent meetings with CMG. The other Branches did not show significant co-location or location requirements but, in the light of our earlier findings, we would accept that DPU1 (Budget co-ordination and general indirect tax policy) and DPU3 (economic advice and forecasting) had good arguments for remaining in London because of their official Treasury links. The position of DPU2 (statistics) was not so clear-cut. Co-location of DPU2 with other DPU Branches did not appear essential, and whilst it attended some meetings with other government departments, these were counter-balanced by links with A&CG - although neither were frequent enough to amount to a definite co-location need. However, another possible factor is recruitment and retention difficulties if DPU2 were located away from other government departments' statisticians.

Finance and Manpower Division

B.14 Branches 1 (finance), 3 (manpower) and 4 (CMG support and planning) - the London branches except SIEB - need to be co-located because of the frequency of their contacts with the Assistant Secretary. This part of FMD also had close links with the CMG, Director Organisation and, to a lesser extent, Directors Outfield, Personnel and Customs. The main contacts with other Divisions were with ODA and, to a lesser extent, PDE. The level of external contacts in the period did not show a clear need to be in London as four of FMD's five contacts with the Treasury were visits by the latter to New King's Beam House. However, we would accept that this was not typical - it would not be the pattern during the PES round.

B.15 So far as FMD2 (investment appraisal) was concerned, the position was not clear-cut. They had more Southend than London meetings in the period but, of their Southend contacts, it appeared that many of the CSD contacts were not essential and took place only because of that Division's proximity, whilst the number of meetings with TSD appeared atypically high because of the discussions on a residential training centre. We disregarded the contacts shown by FMD2 on project management as that work was being transferred to ITPS.

General Supplies Division

B.16 The only significant location need to emerge from the survey was for the purchasing work currently in GSD2 (to be transferred to the new Purchasing Unit) to remain in London because of its links with FMD and meetings with the Treasury and other government departments. Although GSD1 had frequent meetings with suppliers, we assumed that these would be prepared to travel if necessary as it would be in their interests to do so.

Internal Audit Unit

B.17 With the exception of the A&CG's Office, no significant contacts with IAU Branches were shown in our survey. Taking into account the MSD study of CIR services locations, we accepted that Branch 3 (computer systems audit) and Branch 5 (finance, accounting, costing budgeting and security) need to be co-located with CSD and A&CG respectively. The main locational needs of the other Branches were:

Branch 1 (excise duties) with RDA and RDB;

Branch 2 (Customs) with Customs Directorate; and

Branch 4 (VAT) with VAT Control Divisions.

Outfield Division A

B.18 ODA showed diffuse links across HQ Divisions, mainly on the establishments side. The most significant contacts were with FMD, although these were spread around the ODA Branches, and between ODA5 and PDA3. Although no need for co-location with the Director

emerged from our survey, the picture may have been distorted by the fact that there was no permanent Deputy Director in the office during the period. Although there were frequent meetings between ODA and Outfield staff, these were geographically scattered and so did not point to a particular location requirement.

Personnel Directorate

B.19 We looked only at the London Branches of Personnel Directorate, and excluded the PMU. The most significant location needs emerged in respect of PDE1 and 2 (accommodation policy). Albeit their contacts were inflated by the activity on Maxwell House/Custom House, the Assistant Secretary had a significant number of Ministerial meetings, and there were frequent contacts with CMG and the Director PD. The main links with other Divisions were with FMD and ODA, but they were not so frequent as to make co-location essential. There were frequent contacts with PSA, but many of these were at regional level across the country, and so did not point to any particular location.

B.20 In the communications area, the Press Office element of the Press and Information Office showed frequent links with CMG and the Director PD. It also had frequent contacts with other government departments and the press. In addition there could also be a need to retain some General Information Branch staff to deal with callers if the work were not delegated to the Outfield. But if there were a significant relocation of HQ work, particularly to a single location, then the rest of PIO's functions and the work of PDD3 (Instructions Unit), PDD4 (Library and Translation Service) and PDD5 (Forms and Notices and Printing Units), whose contacts covered a wide area of HQ, but were not significant in any one case, would be better placed with the relocated HQ (there would be a need to retain some PDD4 staff for a London library).

B.21 For the other Personnel Branches, the arguments related to the frequency of contacts with the Director Personnel, and, to a lesser extent, CMG. The Branches with the strongest requirement to form part of the core were:

PDB5 (Management development/senior appointments);

PDC1 (Pay); and

PDD1 (Industrial relations).

B.22 The following Branches also have some need to form part of the London core:

~~PDA1 (Recruitment of clerical staff - needs to be in London because current developments make this a sensitive area);~~

PDA2 and 3 (Appointment etc. of EOs, HEOs and SEOs);

PDA4 (Special projects, including personnel aspects of Channel Tunnel);

PDB2 (Security, honours, trawls - although this Branch did not show high levels of face-to-face contact in our survey, the main part of its work is closely related to PDB5);

PDB3 (Promotion).

PDB4 (Staff reporting policy part only - has close links with PDB3).

PDC2 (Travelling and Subsistence and Removals - its work is becoming more closely integrated with that of PDC1).

PDC4 (Personnel Information Branch - requires co-location with the Assistant Secretary PDC and PDC1).

B.23 The remaining Branches had no or very few contacts, and therefore could be located remotely:

PDB1 (Discipline and inefficiency);

PDB4 (Probation policy part only);

PDC3 (Absence).

Resource Audit and Management Consultancy Services

B.24 This newly created Division consists of the O&M, OR and Planning and Performance Measures Teams from MSD and the SIEB. We did not ask these areas to complete diary records, but a high number of contacts, spread across HQ, was shown with MSD in other Divisions' returns. Little contact was shown with the SIEB function. In the context of a Policy Functions Model, there would be good arguments for setting up a satellite office of the Division at the relocation site, to service other relocated work areas well as local Collections. However, relocation of any of the OR specialism could lead to recruitment and retention problems if other Departments' OR work were to stay in London.

Revenue Duties

B.25 Because of the level of inter-Branch contacts, we accepted that RDB, which deals with various aspects of the excise duties on alcoholic drinks, formed a family. But the same was not true of RDA, whose Branches deal with various excise duties. RDB classified rather more of the contacts between the two divisions as essential than did RDA. The only two Ministerial contacts in the period were by the Assistant Secretary RDA and Principal RDA1, both with a trade delegation making Budget representations. Generally Ministerial meetings for both Divisions are limited to support for meetings with such delegations and for the Finance Bill. Although RDB showed a higher number of contacts with the Director IT than any of his divisions, the contacts were shared among the Assistant Secretary and the Senior Principals. RDA5 (EOPS), a temporary Branch, showed the only Board level meetings in RDA. RDA and RDB had little contact with other areas of HQ, including the DPU (although contact would probably be greater nearer the Budget, our earlier interviews indicated that it would still not amount to a co-location need). There were also some

contacts with traders and trade bodies, particularly by RDA, but not enough to require a London location. On balance, we therefore concluded that Revenue Duties did not need to remain in London.

VAT Administration

B.26 There were some significant links between Branches shown across Divisional boundaries e.g. between VAF2 and VAG1. Some of these reflected continuing needs; others a particular live issue. The VA Divisions had very little contact with other areas of HQ, except with the Solicitor's Office Divisions E (VAT Tribunals) and I (VAT advisory) but even those contacts were not frequent enough to make co-location essential. The number of essential contacts shown with the Director were generally low. Regarding external meetings, VAF had the equal highest number of Ministerial meetings, and VAG noted that it would normally have expected some Ministerial contacts in a four-week period. The other VA Divisions also attend Ministerial meetings, albeit less frequently. Some Branches also had significant numbers of meetings with traders and trade organisations e.g. VAG4 had 8, VAD3 - 7, VAD6 - 5, most of whom would be London-based. The arguments therefore point to retaining the VA Divisions in London.

VAT Control

B.27 We examined only VCA and VCD. VCA had a lot of face-to-face contacts with CSD, but most of these would have been avoided if they had been separately located. Otherwise, the main internal contacts were with ODA - but not frequently enough to justify co-location (doubtless video conferencing would reduce the need for face-to-face contacts). VCD had very few contacts, and the cases made earlier for co-location with VA and a London location for access to Ministers were not substantiated.

VAT International

B.28 None of the branches showed any significant level of contacts. Such contacts as VI1 (VAT imports) and VI2 (VAT exports) had, tended to be with CD Branches. Based on arguments put to us earlier, we would accept that the contacts of VI3 (VAT valuation element) and VI4 (EC VAT questions) were likely to be with VA branches, with whom there would be a case for co-location. The diplomatic privilege element of VI3 did not need to be co-located with any other part of HQ or to remain in London.

NUCPS

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APPENDIX C

(referred to in para. 1.1)



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13 February 1989

D J Howard
H M Customs and Excise
New King's Beam House
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LONDON SE1 9PJ

Dear David

DISPERSAL OF HEADQUARTERS WORK FROM LONDON AND THE SOUTH EAST

This submission represents the views of the NUCPS and the CPSA on dispersal. As you know, both unions have been monitoring the Board's progress since it first announced in August 1987 that it intended examining the scope for moving work away from the South East of England. Both unions have become increasingly disappointed that the Board has failed to take positive steps to disperse Headquarters work from London and Southend. We understand that the Board will be considering this issue further in March 1989 and, therefore, we would like our views on dispersal to be considered by the Board at that time.

Both unions believe that when identifying areas of work for dispersal two criteria must be met. Any programme of dispersal must :

- (a) provide a viable Headquarters structure in the dispersal location based on both policy and case work; and
- (b) take full account of the career prospects and aspirations of those members who do not wish to move with the work by retaining viable Headquarters structures in London and Southend for the foreseeable future.

In order to achieve these aims we believe that approximately 50% of Headquarters work should be dispersed. Both unions' support for any programme of dispersal is, however, conditional upon the Board agreeing to give satisfactory assurances for the staff concerned. We do not accept that the dispersal of Headquarters work should be done solely to produce savings for the Board. Both unions consider it essential that acceptable terms and conditions are provided for members and that full and proper account is taken of the personnel implications of any dispersal.

.../...

We consider that any members, both mobile and non-mobile :

- o who wish to transfer with the work must have the right to do so
- o who do not wish to transfer with the work should be found acceptable alternative work in the locality.

Both unions consider that any members who wish to transfer with their work should do so on bulk transfer terms.

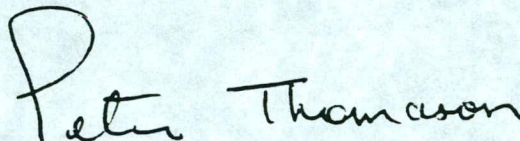
We recognise that any programme of dispersal will need to be phased over sufficient a period to ensure that the personnel assurances can be fully implemented in the context of a planned orderly dispersal programme. Both unions believe that implementation should begin at the earliest possible date and that a realistic timetable for completion would be five years from the date of starting. We recognise that the programme of dispersal once agreed will need to be reviewed in the light of other developments; for example , the VAT Business Review and the completion of the internal market in the EEC in 1992.

Both unions believe that the Board's apparent indecision on whether or not to proceed with a programme of dispersal has created a great deal of uncertainty amongst staff both in Headquarters and the Outfield. We consider that the Board should now agree to proceed in the basis of the views set out in this letter and the NUCPS and the CPSA would wish to enter into early discussions with the Board on the terms and conditions which would be applied.

Yours sincerely,



MP
MIKE KING
Group Secretary
Customs and Excise Group
NUCPS



PETER THOMASON
Section Secretary
Customs and Excise Section
CPSA

RECRUITMENT AND DEMOGRAPHIC TRENDS

NATIONAL DEMOGRAPHIC TRENDS

D.1 During the last year much publicity has been given to changes looming in the structure of the UK's working population over the next ten years. Whilst there is some disagreement over the exact figures, there is general agreement on the main thrust of the trends. Firstly, the overall size of the civilian labour force will virtually stop growing (see Figure 1). The increase in the number of people of working age in Great Britain will be less than 500,000 over the years 1986-1996 compared with 2 million in the preceding decade.

D.2 The position will be markedly worse in terms of school-leavers. The total number of 16-19 year olds across the whole country is expected to fall from about 3.7 million in 1982 to less than 2.6 million in 1994 - a drop of 30% - and then recover only slightly to the year 2000 (see Figure 2). The number of 16-19 year olds available for employment (ie excluding those in full time education) is likely to fall from about 500,000 in 1987 to 360,000 in 1993 - a drop of 28%. The fall in numbers of school-leavers available for employment with particular educational qualifications will, however, be smaller (see Figure 3);

- 19% for those with two or more A levels;
- 16.5% for those with five or more O levels (or equivalent); and
- 22.5% for those with fewer than five O levels.

D.3 In addition, according to figures produced by the Institute of Manpower Studies, on current trends the number of graduates is expected to peak in 1992, at 10% more than the 1986 figure, but then fall back to 1986 levels by 1998. Demand, which is keeping pace with supply at present, is predicted to go on rising so that by 1998 demand will exceed supply by about 16%. This position is not expected to improve thereafter. But, recognising the future need for a more highly educated workforce, we understand that the Government's long term aim is to double the number of students in higher education over the next twenty-five years. If implemented, this programme will reduce even more drastically the number of school-leavers available for work (although the programme may not reach its peak effect until the next century).

D.4 Because two thirds of the ethnic minority population is under 15 (compared with only 20% of the white population) they will form 12% of the youth labour supply in the 1990s. In some locations, especially London, the proportion will be significantly higher, so it will become increasingly necessary to target recruitment in this area.

D.5 The broad trends described above conceal regional variations. The largest declines in numbers of 16 to 19 year olds will be in London, the South East and the Midlands - where demand may be expected to be highest. Even if the picture is enlarged to take in all 16-24 year olds, by 1995 there will be a drop of 1,206,000 (nearly 20%) in the numbers available for work for the country as a whole. The decline (368,000) in London and the South East is a similar proportion but the greater demand in the region will make the decline relatively more important.

D.6 After 1992 the barriers to the movement of labour between the member states of the European Community will disappear. Similar demographic trends in the other member states, most notably Germany, coupled with higher rates of remuneration and/or more appealing working conditions could act as a powerful incentive to draw young British workers abroad.

OTHER RESEARCH

D.7 Other large white collar organisations, such as finance houses, banks and insurance companies, have also woken up to the demographic problem (Norwich Union, for example, have said that they alone would need to recruit the entire school-leaver population of Norwich for the foreseeable future to meet their requirements). They target the same group of the population in their recruitment programmes as the Civil Service - 16-19 year olds with two or more O levels or two or more A levels - and their largest concentrations are found in the London area.

D.8 Last year the National Health Service - the largest public sector employer - produced a report ("2001 - The Black Hole"). Its conclusion - in the most optimistic scenario - was that, by 2001 the NHS will face a drop of 30% in the number of its qualified staff (5 O levels or better). The Ministry of Defence has carried out its own study (MARILYN), the conclusions of which underline the threat to the Armed Services of the declining youth numbers. For the Civil Service, the Treasury identified the problem in a paper issued by PMR Division in July 1988 and invited Departments to consider what they could do about it.

D.9 In Customs, a study was put in hand last Autumn to look at ways of improving the marketing of the Department in the recruitment field and various recommendations were made before Christmas in the Dover Report. However, this initiative is unlikely to be sufficient in itself to overcome the effect of the deteriorating recruitment situation, particularly where competitive demand is highest. Competition for workers is greatest in the service sector, where the expansion of the economy is concentrated.

THE LONDON PROBLEM

D.10 In London and the South East the number of 16-24 year olds in the labour force is projected to drop by 368,000 (18.7%) between 1987 and 1995. This is 2.3 times the number of 16-24 year olds registered in the area as unemployed in April 1988 (see figures 4 and 5) - a much greater excess than in other regions.

D.11 The demand for workers in London (mostly white collar) is not expected to drop. One assessment seen in the press is that in the City of London there will be a net increase of 50,000 in the number of jobs by 1993 (even taking account of the shake-out following the Stock Exchange slump of October 1987) and a further increase of 50,000 jobs in the rest of central London (that BR are planning for an increase of 100,000 in the number of central London commuters bears this out). On top of this are the Docklands developments where the net increase in jobs has been estimated variously from 50,000 to over 200,000.

D.12 Most white collar employers prefer to recruit 16-24 year olds with reasonable educational qualifications, as they hope to maximise their investment return. In the light of the figures in paragraph D.11 above, it is probable that within ten years the labour demand in and around London (without even taking account of growth in the rest of the South East) could exceed the supply of 16-24 year olds by upwards of 300,000. Even allowing for some attraction of recruits from the regions, it seems very likely that young labour will command a high price in the London labour marketplace.

D.13 Two further factors need to be taken into account. One is the subjective and not readily quantifiable concept "quality of life". It is clear that, in a department such as Customs and Excise which has the facility to provide a career in the regions, many provincial-based staff will not come to London even on promotion. They see London as stressful, having poor services (eg crowded transport, poor educational facilities/standards and long hospital waiting lists) and as very expensive to live in (not only in terms of house prices but, e.g. property insurance rates can be twice as high as in the rest of the country). To many it does not seem worthwhile moving south, even on promotion (it has been said that an HEO in the north of England is as well off as a Principal in the South East). The need to hold regular London-only promotion exercises, even up to SEO level, is clear evidence of the reluctance of people to come to London.

D.14 The second point is that Civil Service rates of pay in London are not good in comparison with the private sector. In 1988 the average central London white collar salary exceeded the SEO maximum (inclusive of Inner London weighting). Nor does the Civil Service offer fringe benefits such as private health insurance or company cars. Although local pay additions have been introduced for certain posts and the proposed pay settlement for 1989 adds an extra point (up to SEO level, at least) at the top of each pay scale for London based employees, it is hard to see, on the basis of past experience, Civil Service pay rates competing successfully over the next ten years with the outside pressure to increase London salaries caused by the general shortage of recruits. It is increasingly noticeable that London based Customs and Excise staff (VAT staff in particular) are becoming more aware that they have skills and experience for which there is a rewarding market in the private sector.

ARGUMENTS FOR MOVING HQ POSTS OUT OF LONDON

D.15 From the foregoing assessments there seem little doubt that the already difficult staffing situation in London HQ and the

London Collections (which also extends to Southend HQ) will get steadily worse over the next six years, with little sign of any real improvement after 1995. Alternative recruitment patterns being considered (eg employing part-time workers, targeting retired workers and women resuming work after bringing up a family) may be beneficial for some local offices sited in residential locations but they seem less likely to benefit central London locations directly because of the time, cost and stress of commuting. The most effective way of alleviating the decline in staff availability is to reduce the demand for staff in central London as far as possible and to make the best use of those that the Department does have.

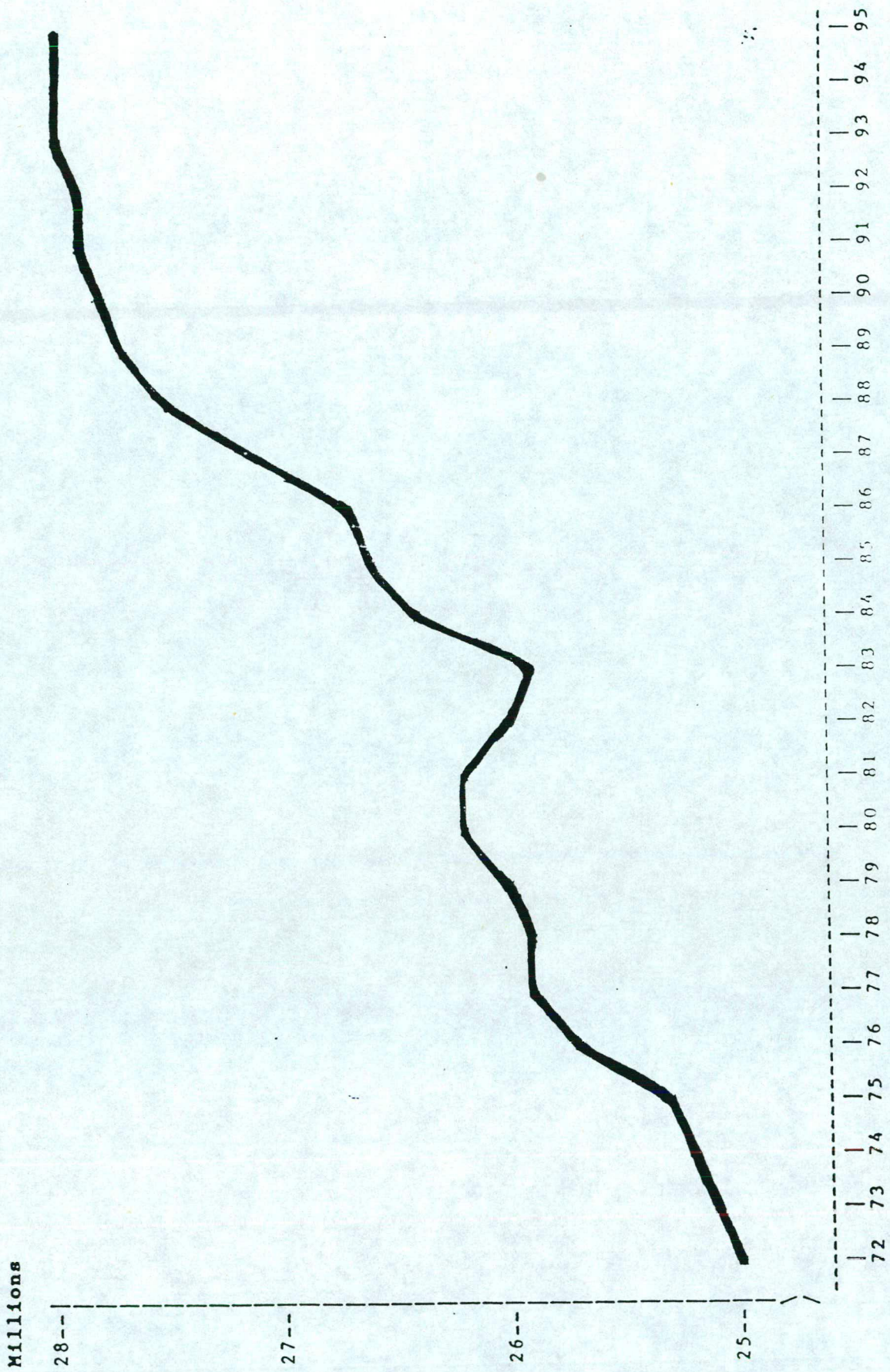
D.16 The Department is likely to continue, for reasons of operational efficiency, to locate VAT Offices, Excise Stations and the Investigation Division, in London in reasonable proximity to their work. As these units control many of the major taxpayers in the country, as well as handling the leading frauds centred on London, it seems the most efficient course to give them first claim on the available staffing resources.

D.17 The same is not true of all of London HQ. A significant number of the London HQ offices could operate without significant loss of efficiency from a location remote from London. The removal of posts from London would bring the Department several benefits:

- a reduction in the number of London posts to be filled;
- a reduction in the Department's difficulty in filling the totality of its London posts;
- by extension, if there are then enough volunteers to fill the remaining London posts the need for special London promotion exercises may well disappear or at least reduce;
- the PD effort that is currently envisaged for recruiting staff to fill London vacancies at EO and below, as well as that involved in London-only promotion exercises, should reduce.

The combination of the above factors ought to lead to a significantly more efficient use of the Department's resources.

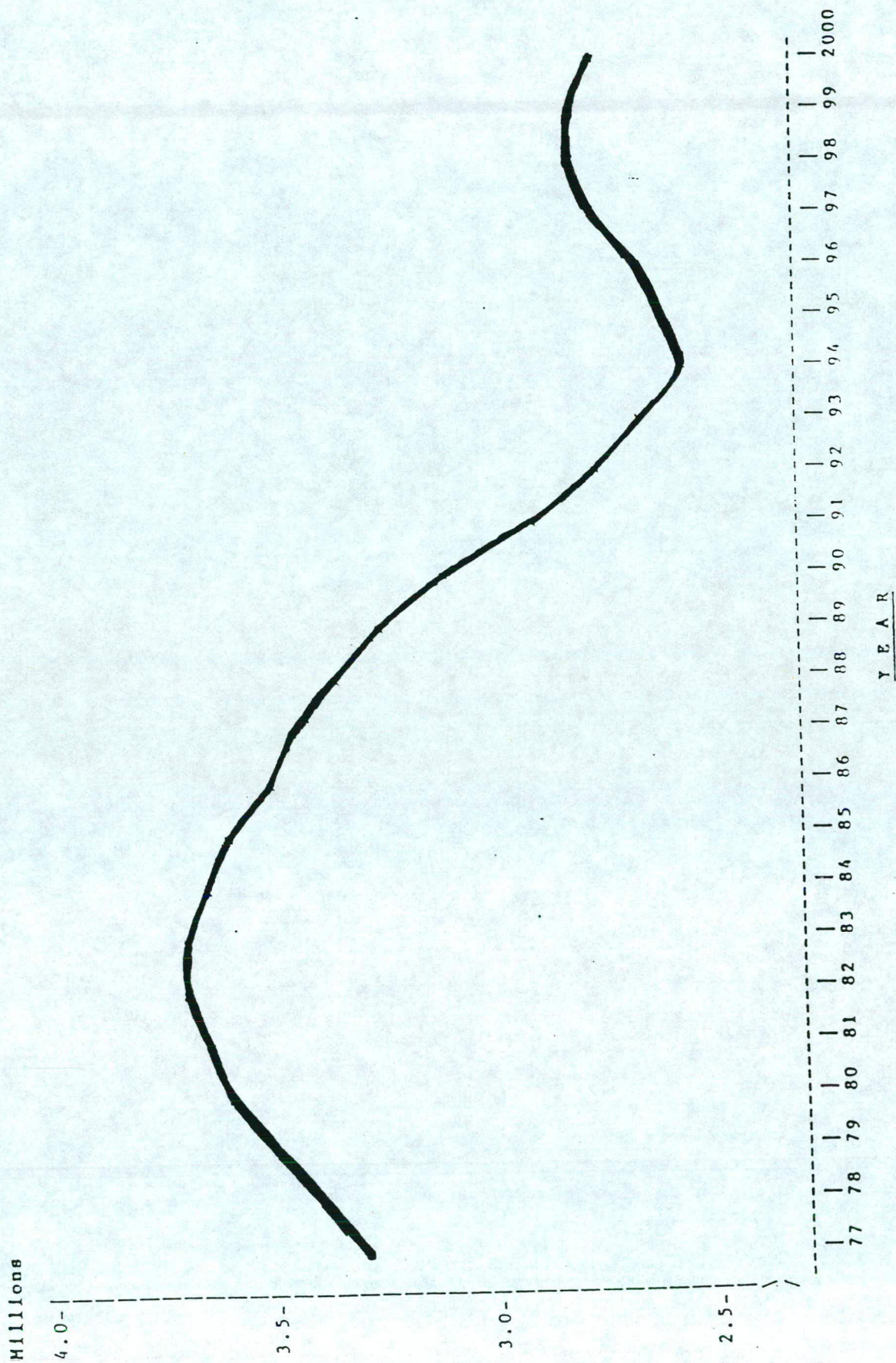
Figure 1: THE LABOUR FORCE: 1972-1995: GREAT BRITAIN



Y E A R

Source: Employment Gazette May 1987 & March 1988

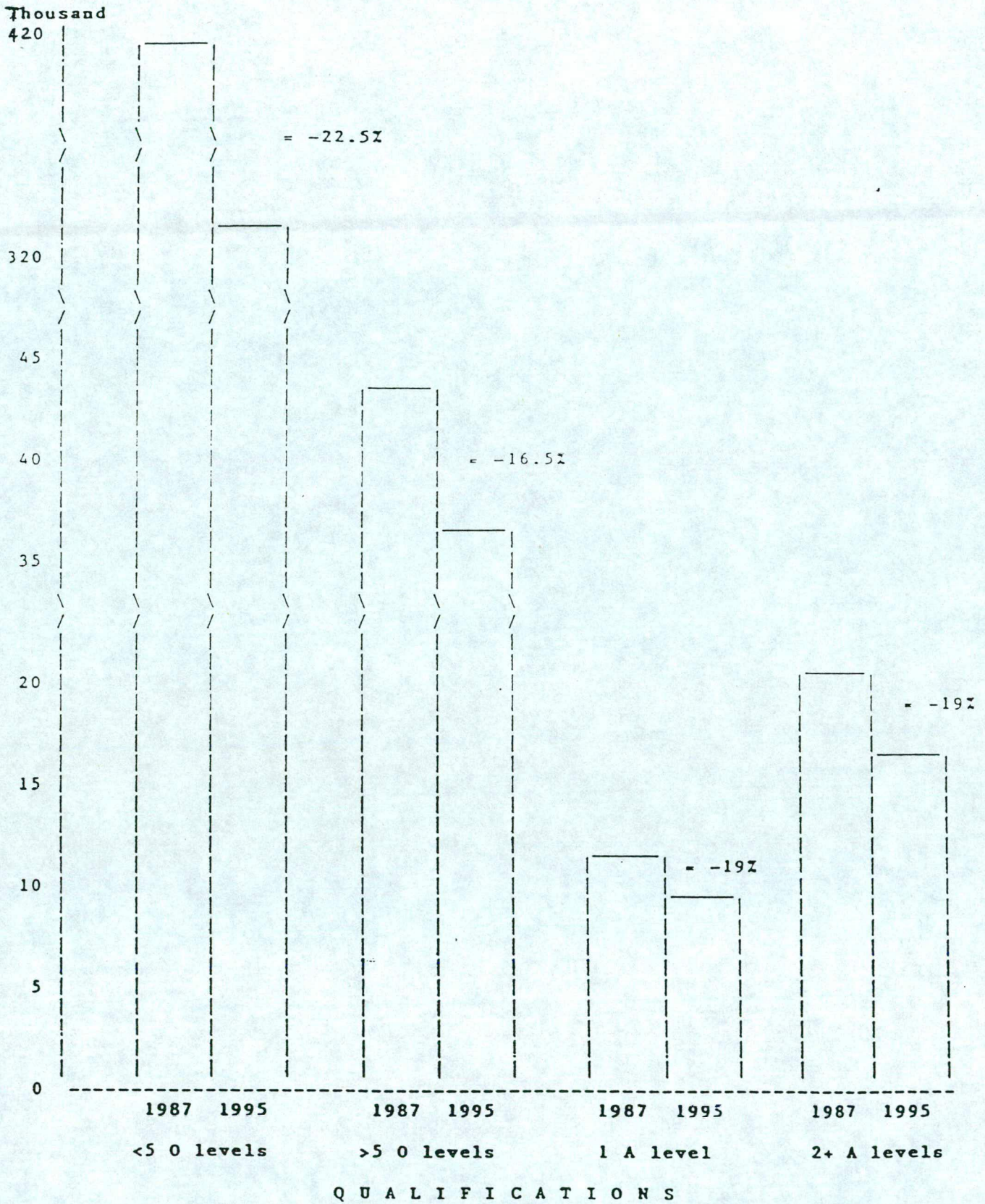
Figure 2: 16 - 19 YEAR OLDS: 1977-2000: GREAT BRITAIN



Source: Employment Gazette May 1987

Figure 3

COMPARISON OF QUALIFICATIONS BETWEEN 1987 AND 1995 IN GREAT BRITAIN



Source: DES

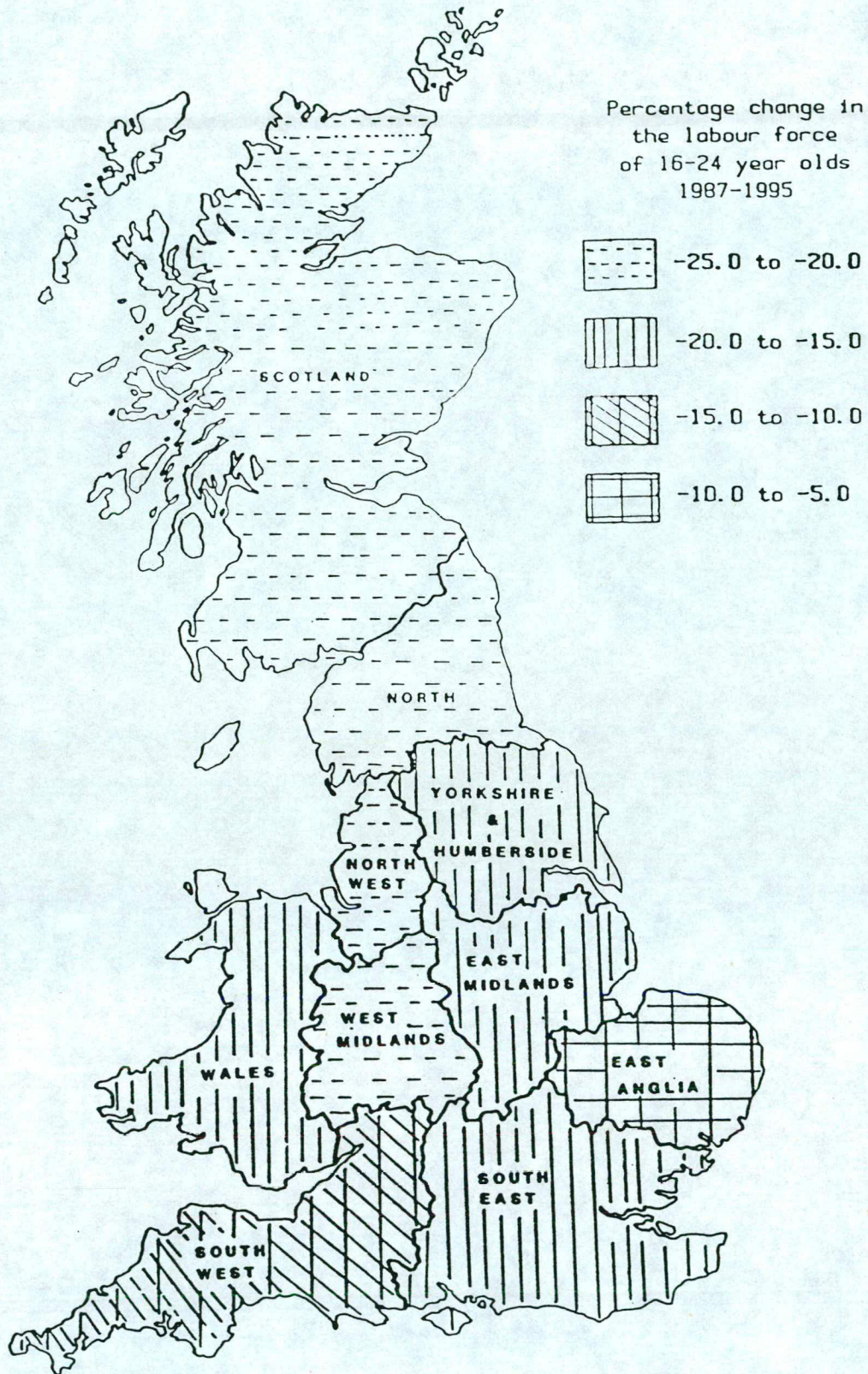
Figure 4: 16-24 year old labour force by region

Region	16-24 Civilian labour force ¹ (000s)			16-24 unemployed April 1988 (monthly count, '000's)	16-24 projected fall in labour force as a % of unemployed
	1987	1995	% change		
South-East (including London)	1971	1603	- 18.7	157	234.3
East Anglia	214	193	- 9.6	18	116.7
South-West	501	427	- 14.7	43	172.1
West Midlands	584	465	- 20.3	81	146.9
East Midlands	444	370	- 16.6	48	154.2
Yorkshire & Humberside	532	432	- 18.8	85	117.6
North-West	710	533	- 25.0	117	151.3
North	340	262	- 22.9	61	127.9
Wales	284	232	- 18.1	47	110.6
Scotland	587	444	- 24.3	107	133.6
Great Britain: Total	6167	4961	- 19.6	764	157.9

Source: Department of Employment & NEDO

¹ Provisional modified projections for Great Britain

Figure 5: Regional changes in the numbers of 16-24 year olds in the labour force



APPENDIX E
(referred to in
paragraph 13.5)

ILLUSTRATIVE INVESTMENT APPRAISAL

A. ASSUMPTIONS USED

Posts relocated and timetable

E.1 The appraisal assumes that the following posts (including PMU staff) would be moved in the years shown:

a. From Southend to Liverpool

<u>Year</u>	<u>Mobile</u>	<u>Non-Mobile</u>	<u>Total</u>
1989-90	7	48	55
1990-91*	176	120	296
1991-92	61	263	324
1993-94	113	469	582

* Includes 2 mobile, 12 non-mobile PMU posts from London.

The total size of the Liverpool office, including 264 posts presently in Bootle, would be 1521 posts.

b. From London to Manchester

(Manchester is the assumed second North Western relocation site for the purpose of this illustrative appraisal.)

<u>Year</u>	<u>Mobile</u>	<u>Non-Mobile</u>	<u>Total</u>
1990-91	21	15	36
1992-93*	227	159.5	386.5

* Includes 15 mobile, 2 non-mobile IAU posts from Southend.

The total size of the Manchester office would be 422.5 posts.

c. From London to Southend

<u>Year</u>	<u>Mobile</u>	<u>Non-Mobile</u>	<u>Total</u>
1990-91	178	57	235
1993-94	15	2	17

PRS charges and construction costs.

E.2 Relocated posts in Liverpool have been given an assumed allocation of 12 sq m per head (about their current allocation in

Southend) and those in Manchester 15 sq m per head (the Departmental standard).

E.3 A Crown build has been assumed in Liverpool to accommodate also existing staff at Bootle, at a cost of £20 million over 4 years (based on an actual option). This would enable more economic use of space than a rented building, and offer long-term public expenditure savings compared to renting an equivalent building (whether in the South East or in Liverpool). This would be ready for occupation from 1 April 1992, and the PRS rates and maintenance element (£105 per sq m) has been included from that date. Temporary accommodation would be required for posts moving before then, costed at £90 per sq m, a typical current price for existing accommodation in Liverpool, to be given up on 30 September 1992.

E.4 For Manchester a rented building at £100 per sq m PRS charge has been assumed from 1 April 1992. Posts moving earlier would be housed in temporary accommodation at £93.41 per sq m (the current PRS charge on an existing building in the Departmental estate) given up on 30 June 1992.

Ingoing works.

E.5 Ingoing works at the permanent accommodation in Liverpool are included in the construction costs; at Manchester they are costed at £248.87 per sq m. For CD posts going to Southend, £500 per mobile post has been allowed for partitioning, etc.

E.6 Ingoing works at the temporary accommodation in Liverpool and Manchester have been costed at £1000 per post.

Telecoms.

E.7 Under this heading have been allowed capital costs for PABX equipment of £240,000 for the permanent offices, incurred in 1991/92, with annual costs of £18,000 thereafter for service, etc. The cost of equipment for the temporary accommodation has also been included.

Furniture.

E.8 New furniture, at a cost of £877 per post has been assumed for the staff at the Liverpool and Manchester offices, except where NKBH furniture can be transferred.

Removals and Library.

E.9 Removals have been costed as follows:

- £100 for moves where furniture is being transferred;
- £75 for moves where new furniture is being provided;
- £50 for purely local moves (including those from temporary to permanent accommodation at the relocation sites).

E.10 The setting up of libraries has also been costed, at £20,000 for the Solicitor's office in 1990-91, with £5,000 annual running costs, and £65,000 for the Liverpool and Manchester general libraries in 1992-93, with £15,000 annual running costs.

Project Team.

E.11 For 1989-90 the cost of the staff in HQ likely to be working on relocation has been included. Thereafter 2 SEO-headed teams for the Southend to Liverpool and London to Manchester moves respectively have been assumed, working to a grade 6 supported by 1 EO. The teams would be wound down to half strength in 1993-94.

Recruitment

E.12 The following costs arising from the need to recruit new staff at the relocation sites have been assumed:

- for professional lawyers, assuming that half the relocated posts need to be filled, £3,000 for recruitment per post plus £10,000 advertising cost per year;
- for EOs, again assuming that half the relocated posts need to be filled, £750 recruitment cost (applied only from 1 April 1991) plus £750 induction training per post;
- for non-mobiles, £250 for recruitment per post plus £60 for induction training for each post transferred.

Staff Disruptions.

E.13 A cost of £445.52 has been assumed for each complemented post to take account of 4 days packing, moving, unpacking and filing at the new office.

IT Disruption.

E.14 £100,000 has been allocated to this heading, spread over the whole period of the moves, to allow for removal and disruption of micro computers, office machines, etc.

Visits to London.

E.15 London visits have been costed on the basis of an extra 20 London visits per month each to/from Liverpool and Manchester at £100 per visit, plus 30 visits to/from Southend at £10 each.

Training/Double banking.

E.16 This item has been costed at staff cost rates on the assumption that 30% of the HEO/EO complement would be double-banked for training for three months and 25% of the non-mobile grade complement for 1 month. Also included has been a core of 50 instructors in Liverpool and Manchester, incurring T&S per head of £260 per week for 6 months, spread over the period of moves, plus 10 in Southend, costed at £60 per week. The T&S costs of 6

months training for the locally recruited professional legal staff have been costed at £400 per week.

Office machines.

E.17 The costs of providing video-conferencing facilities, fax machines, a remote printer and appropriate cabling links in Liverpool and Manchester have been costed under this heading. The capital costs have been assessed as £293,680, mainly falling in 1990/91 and 1991/92, whereas the running costs have been assumed to build up to £273,820 in 1992/93 and onwards.

Crown Transfers.

E.18 It has been assumed that 50 per cent of all relocated mobile posts would be filled at Crown expense (any Crown transfers for non-mobile posts would be funded from this allocation) at an average cost of £12000 per transfer. Detached duty expenses have also been costed, for temporarily filling 10 per cent of the relocated posts for 12 months, at a cost of £8066 per post.

Communication costs.

E.19 This heading covers the cost of voice and data cabling links etc. for the new offices. Capital costs have been assumed to be £149,960, spread over 1990/93, with running costs building up to £307,480 per year from 1992/93 onwards.

Outfield vacancies.

E.20 One third of mobile staff whose posts transfer out of Southend in 1993/94 have been assumed to fill Outfield vacancies in London at a cost of £3150 per post, reducing by 30 per cent per year from 1995/96, with the excess fares element dropping out in 1997/98. Before then, there should be sufficient vacancies arising through natural turnover in Southend to absorb staff who do not transfer with their posts.

PRS Savings.

E.21 PRS savings have been calculated using averaged space allocations per post, irrespective of grade, on the basis of current occupancy in the London, Southend and existing Bootle estates, from the year after the posts have been relocated. In Southend, the accommodation given up has been costed as equivalent to Portcullis House, at £97.25 per sq m. In London, Dorset House (£334.15 per sq m) would be given up first and then savings taken in NKBH (£450 per sq m).

Resignation savings.

E.22 The benefit of reduced resignation savings (in terms of lower recruitment and induction training costs as in paragraph E.11 above) stemming from relocation have been assessed, based on the differences between the present resignation rates in London (7.3%) and Manchester (3.7%) on the one hand and Southend (9.3%) and Liverpool (1.75%) on the other.

HQ vacancy savings.

E.23 The benefit in respect of the reduced time a vacancy would be left unfilled after relocation has been costed, based on the difference between vacancy rates in London and the North West, at £700 per post.

Increased productivity.

E.24 The work transferred out of London will benefit from improved productivity through a 2.8 per cent increase in conditioned hours. The benefit has been calculated as the equivalent of the increase applying at EO level and below, recognising that many staff at all grades already work more than their conditioned hours.

Allowance savings.

E.25 The following savings have been assessed:

- a. London weighting. Savings have been assessed in respect of London weighting, the London spine point and lawyers' London allowances, in respect of posts transferred out of London. For those staff assumed to transfer with their posts, the savings have been abated to take account of bulk dispersal terms and mark-time arrangements.
- b. Additional Housing Cost Allowance/Excess Rent Allowance; Excess Fares Allowance. Savings have been based on the total amount of allowances being paid to staff in London and Southend, abated to reflect the proportion of posts transferred.
- c. LPAs. Savings have been based on an estimated LPA of £200 per post paid to AAs in HQ London, in the light of the latest pay settlement.
- d. Secretarial and Typing allowances. Savings have been based on an average allowance of £325 per post paid to secretaries, typing managers and typists in HQ London, in the light of the latest pay settlement.

B. ILLUSTRATIVE APPRAISAL

E.26 The Annex to this Appendix shows the investment appraisal up to the break-even year, and the cumulative NPV. Year 1 is taken as 1989/90; all figures are in 1989/90 prices.

ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12
FRS CHARGES	44.0	343.7	604.5	2927.3	2550.2	2550.2	2550.2	2550.2	2550.2	2550.2	2550.2	2550.2
CONSTRUCTION COSTS	2000.0	5009.0	5000.0	2000.0	2000.0	2000.0	2000.0	2000.0	2000.0	2000.0	2000.0	2000.0
IMAGING WORKS	192.0	254.0	1375.5	525.7	5.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
TELECOPIERS	55.0	16.0	263.0	18.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
FURNITURE	48.2	255.6	284.1	231.5	510.4	20.0	20.0	20.0	20.0	20.0	20.0	20.0
REMOVALS & LIBRARY	4.1	63.4	29.3	123.7	63.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0
PROJECT TEAM	65.5	293.3	293.3	293.3	155.7	20.0	20.0	20.0	20.0	20.0	20.0	20.0
RECRUITMENT	16.4	99.9	105.5	138.9	191.9	20.0	20.0	20.0	20.0	20.0	20.0	20.0
STAFF DISRUPTION	24.5	252.6	144.3	606.6	266.9	20.0	20.0	20.0	20.0	20.0	20.0	20.0
IT DISRUPTION	2.0	16.5	30.0	18.0	25.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
VISITS TO LONDON		16.5	24.0	39.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6
TRAINING/DOUBLE BANKING	35.4	377.7	244.9	394.3	350.6	273.5	273.8	273.8	273.8	273.8	273.8	273.8
OFFICE MACHINES	40.0	273.0	408.0	291.5	273.5	44.4	307.5	307.5	307.5	307.5	307.5	307.5
GROUND TRANSFERS		1620.9	476.9	1485.0	533.1	307.5	307.5	307.5	307.5	307.5	307.5	307.5
COMMUNICATIONS		114.4	305.6	345.0	397.5	113.4	79.4	48.5	29.0	20.3	14.2	10.0
OUTFIELD VACANCIES					56.7							
TOTAL COSTS	2531.1	12040.2	12558.9	9438.5	5693.1	3375.9	3300.5	3269.6	3250.1	3241.4	3235.3	3231.1
FRS CHARGES		5.3	1026.2	2608.7	5962.1	6772.7	6772.7	6772.7	6772.7	6772.7	6772.7	6772.7
REGISTRATION SAVINGS			32.7	47.2	67.0	78.9	78.9	78.9	78.9	78.9	78.9	78.9
FIELD VACANCIES		17.5	35.0	164.3	293.7	293.7	293.7	293.7	293.7	293.7	293.7	293.7
INCREASED PRODUCTIVITY		60.7	121.3	173.5	227.7	229.7	229.7	229.7	229.7	229.7	229.7	229.7
ALLOWANCES	1.0	327.5	702.7	1138.9	1613.5	1674.6	1691.6	1712.8	1714.2	1714.2	1714.2	1714.2
TOTAL SAVINGS	1.5	414.2	1917.9	4132.6	5164.3	9049.5	9066.5	9087.7	9089.1	9059.1	9059.1	9059.1
NET CASH FLOW	-2529.3	-11626.0	-10671.0	-5305.9	2471.3	5670.6	5766.0	5818.1	5839.0	5847.7	5553.5	5556.1
FOR	1.0000	.9434	.8900	.8396	.7921	.7473	.7050	.6651	.6274	.5919	.5564	.5265
ANNUAL NPV	-2529.3	-10967.5	-9597.2	-4454.8	1957.5	4237.6	4065.0	3869.6	3663.4	3461.3	3268.6	3086.0
CUMULATIVE NPV	-2529.3	-13497.2	-22994.4	-27449.2	-25491.6	-21254.1	-17189.1	-13319.5	-9656.1	-6194.5	-2926.1	160.0

Break-even: Year 12

LIVERPOOL/MANCHESTER OPTION

Cumulative NPV (Over 60 years): £48.0m

APPENDIX F
(referred to in
paragraph 14.4)

INVESTIGATION DIVISION: ILLUSTRATIVE INVESTMENT APPRAISAL OF THE
RELOCATION OF CEDRIC WORK

A. ASSUMPTIONS USED

F.1 This illustrative appraisal has been prepared on the assumption that the CEDRIC team will share accommodation with a provincial office of the ID, and compares the costs of a relocation outside London with the cost of moving the work to the Custom House.

Posts relocated and timetable.

F.2 The appraisal assumes that the following posts would be moved in 1990/91:

Specialist	2
Other mobile	14
Non-mobile	19

PRS charges.

F.3 The relocated posts have been allocated 15 sq m per head, plus 40 sq m for a computer room. The cost has been taken, for illustrative purposes, as equal to the PRS charge for the Manchester ID Office, £93.41 per sq m.

Ingoing works.

F.4 Ingoing works have been costed at £248.87 per sq. m.

Removals.

F.5 Removals have been costed at £75 per post.

Recruitment.

F.6 Costs of £250 for each recruit to non-mobile posts and £750 for each EO recruit have been assumed.

IT disruption.

F.7 The removal and recommissioning of CEDRIC hardware has been taken to cost £50,000.

Training/Double banking.

F.8 This has been calculated on the basis that 30% of the HEO/EO complemented posts would be double-banked for 3 months, and 25% of the non-mobile posts for up to 1 month. Detached duty for three instructors for three months has also been costed.

Office machines.

F.9 This heading covers the costs of a secure fax machine.

Crown transfers.

F.10 It has been assumed that half of the relocated mobile posts would be filled at Crown expense, costed at £12000 per transfer.

Communications.

F.11 This heading covers data-cabling links for CEDRIC, converted to either kilostream or megastream links.

PRS savings.

F.12 Dorset House PRS charges (£334.15 per sq m) have been used to calculate savings, on the assumption that alternative occupants would be found to fill the space vacated in the Custom House.

HQ vacancies.

F.13 The benefit in respect of the reduced time a vacancy would be left unfilled after relocation has been costed, based on the difference between vacancy rates in London and Manchester, at £700 per post.

Increased productivity.

F.14 The work transferred out of London will benefit from increased productivity through a 2.8 per cent increase in conditioned hours. The benefit has been calculated as the equivalent of the increase applying at EO level and below.

Allowance savings.

F.15 Savings have been assessed in respect of London weighting, the London spine point and ID allowance (difference between London and Provincial allowance for the two specialist posts). For staff assumed to transfer with their posts, the savings have been abated to take account of bulk dispersal terms and mark-time arrangements.

B. ILLUSTRATIVE APPRAISAL

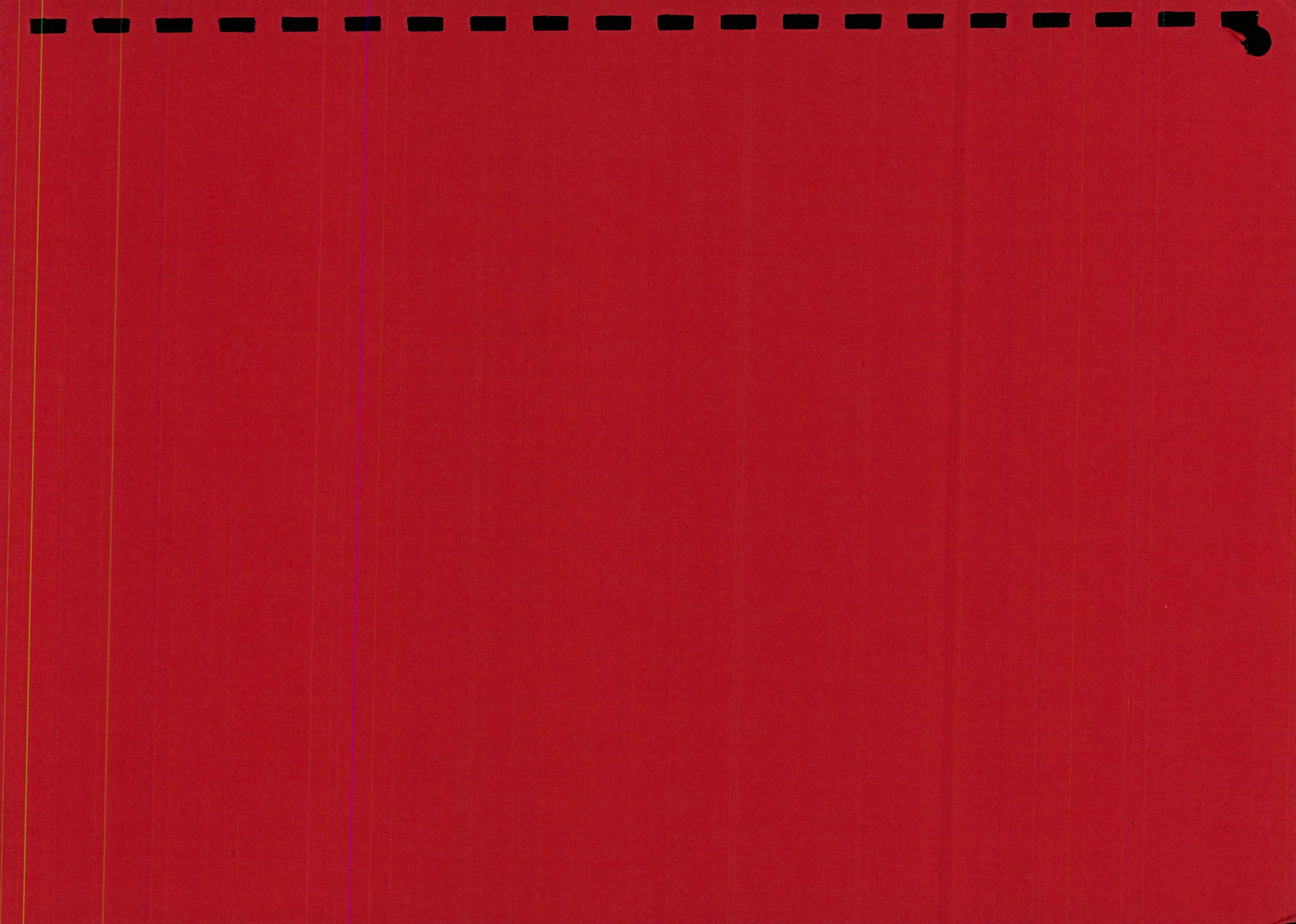
F.16 The Annex to this Appendix shows the investment appraisal up to the break-even year, and the cumulative NPV. Year 1 is taken as 1990/91; all figures are in 1989/90 prices.

ITEM	YEAR	YEAR	YEAR	YEAR
	1	2	3	4
	#000's	#000's	#000's	#000's
PRS CHARGES	79.7	79.7	79.7	79.7
ONGOING WORKS	193.6			
REMOVALS	2.6			
RECRUITMENT	8.5			
IT DISRUPTION	50.0			
TRAINING/DOUBLE BANKING	35.4			
OFFICE MACHINES	1.4	.9	.9	.9
CROWN TRANSFERS	96.0			
COMMUNICATIONS	7.4	18.6	18.6	18.6
TOTAL COSTS	474.6	99.2	99.2	99.2
PRS CHARGES		188.8	188.8	188.8
NO VACANCIES	19.0	37.9	37.9	37.9
INCREASED PRODUCTIVITY	6.3	12.7	12.7	12.7
ALLOWANCES	31.9	65.8	69.9	72.0
TOTAL SAVINGS	57.2	305.2	309.3	311.4
NET CASH FLOW	-417.4	206.0	210.1	212.2
CFR	1.0000	.9434	.8900	.8396
ANNUAL NPV	-417.4	194.3	187.0	178.1
CUMULATIVE NPV	-417.4	-223.1	-36.1	142.0

Break-even: Year 4

CEDRIC OPTION

Cumulative NPV (Over 25 years): £2.2m





FROM: J M G TAYLOR

DATE: 1 June 1989

bf 6/6

MR CULPIN

CUSTOMS AND EXCISE HEADQUARTERS RELOCATION

The Chancellor has seen Mr Unwin's note of 30 May. He would be grateful for advice from FP as soon as possible.

A handwritten signature in black ink, appearing to be "JMG".

J M G TAYLOR

C O N F I D E N T I A L

FROM: J F GILHOOLY (FP)

DATE: 9 June 1989

EXTN: 4550

CHANCELLOR OF THE EXCHEQUER

cc

Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir Peter Middleton
Mr Anson
Mr Hayden Phillips
Mr Scholar
Mr Culpin
Mrs Lomax
Mr Luce
Mr MacAuslan
Mr Hansford
Mr Binns
Mr Hancock
Mr Michie
Mr P Harris
Mr Mertens
Mr Tyrie

cl/
Content to reph to
Brian Unwin as drafted?

215

OV ✓

CUSTOMS : RELOCATION PROPOSALS

You asked for comments on Mr Unwin's note of 30 May, and the report attached to it. Mr Unwin is seeking agreement in principle to expenditure on his relocation proposals, but with a second bite at the exact amounts later in the year after further work, and consultation with staff.

2. The report has been a long time coming. We know that the basic work was done on it a least six months ago. One of Customs' major concerns, as the report makes clear, is not to lose influence on tax policy matters, or in Whitehall generally. As Mr Unwin's note hints, there has been a considerable debate going on within Customs about these proposals.

THE REPORT

3. You need not, I think read the whole report. There is a useful summary of its conclusions on the first page, and Mr Unwin's note gives an overview of the proposals.

4. The gist of the argument leading to the conclusions is as follows.

5. First, Customs have considered only HQ staff. The "outfield" - which makes up the great bulk of staff (22,300 out of 27,400) would plausibly enough remain sited close to their clients. Within the HQ staff of 5,100, some 800 staff have not been looked at, either because they are already sited outside the South-East, or because their relocation is being looked at as part of a separate exercise. The staff actually examined amount to about 4,300, or 85% of the HQ staff. They are presently split between central London offices and Southend.

6. Second, the report discusses the general reasons for relocation: high rentals, the high cost (but lower quality) of staff, and problems of recruitment and retention of staff in London and the South-East.

7. Third, it examines, on the basis of a survey of senior Customs staff (but covering only 4 weeks of a year), the amount of contact the various HQ units have with the Board and one another, and with Ministers, Treasury and other government departments. It uses this material to consider three different relocation choices:

- (i) "The Private Office model" (cf, say, the Scottish Office) where a small secretariat is kept in Whitehall, but the rest of HQ, including the Board, is relocated.

- (ii) "The Corporate Model" with the Board remaining in London, supported by a core of central divisions, but with the remainder relocated.

- (iii) "The Policy Functions Model" which keeps in London the key policy units and relocates the rest.

The report comes down firmly in favour of (iii), which is the least radical of the options, and the financial costs and benefits of relocation are examined only for this model. Thus, the decision to go for (iii) is based on what Customs see as its organisational advantages over the other two choices, and without looking at how its financial consequences compare with (i) and (ii).

8. Fourth, the possible sites for relocation seem to be chosen by where Customs already have staff concentrations and at least some accommodation to receive staff. Customs do not seem to have examined whether staff would be willing to transfer to the sites chosen, nor whether other sites would be more attractive to staff or would offer greater financial benefits in the longer term. This approach also leads them to choose to move some Central London staff to Southend, despite the fact that the report shows that (a) rentals there (although much lower than in Central London) are high compared with the rest of the country; and (b) Southend already suffers recruitment and retention problems which are expected to worsen in the future.

COMMENT

9. There is a great deal in the report which we need to look at carefully and discuss with Customs at official level. In particular:

- The lack of financial appraisals of the "private office model" and "corporate model", and whether it is right to dismiss these more radical solutions.

- The rationale for going for the "policy functions model" and whether the line has been drawn in the right place between functions which would stay and those which would go. (eg is it right to keep most of the personnel staff in London? Why are only 35 out of 744 Investigation Division posts seen as suitable for relocation?).

- Why sites other than Liverpool/Manchester and Southend do not seem to have been examined , and how reliable Customs estimate is that "50%" of staff would be willing to relocate. (This proportion will affect both the cost and disruption a move would involve.)

- Whether it makes sense to retain so many staff at Southend when the labour market there is expected to get tighter and on the face of it a substantial proportion of Southend staff do not need to be in the South East (eg the Accounts Staff)?

- Whether building or renting is the right option. For example, have Customs explored the property market in Liverpool?

- What buildings Customs intend to retain in London. This choice makes a considerable difference to the net costs and benefits of the move. They seem to intend to keep New King's Beam House which at an annual rental of £450 per square metre is by far the most expensive of all their buildings. And how does the Custom House

figure in these plans (the report is not completely clear on this)?

- Are the figures and assumptions in the financial appraisal sound? Is their methodology? (AA and RC Divisions are already looking at that.) Could the transfer of staff be achieved more economically? How sensitive is the analysis to changes in costs and savings, which cannot be more than estimates.

10. Customs may have a satisfactory response on many of these points, and others which are bound to emerge in discussion with them. But as it stands, we think there is scope to improve the plan to reduce the costs for each job relocated, or to increase the benefits, or both. A lot more work needs to be done before their plan could be endorsed in principle, and firm proposals put to staff for consultation.

PUBLIC EXPENDITURE

11. Quite apart from the merits of the proposal, there is the question of costs, and how they fall in the new PES period. Last year's PES settlement gave Customs provision (capital and current) of:

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
£'m	509	558	600	645	661
Year-on-year increase (%)	15.2	9.6	7.5	7.5	2.5

Their PES bid seeks to reopen these figures so that they would become:

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
£'m	509	558	655	704	770
Year-on-year increase (%)	15.2	9.6	17.3	7.5	9.4

Of this, their relocation proposals account for:

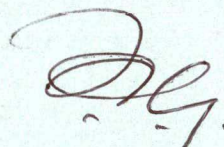
	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
£'m	-	-	13	13	9

and are fully additional to the base, with no offsetting savings offered. They account for nearly one quarter of their PES bids for 1990-91 and 1991-92. (Net savings from the relocation do not appear until year 5. The proposal does not reach break-even point for 12 years).

12. Even if the proposal were acceptable on merits (and it is not as it stands), there would be a real question over whether a commitment should be made to provide extra funds for Customs relocation in this Survey. Certainly this bid need to be looked at alongside their other, very large PES bids. We suspect that it is precisely to avoid that, that Customs are seeking a separate advance commitment (as they are on resources for 1992). Customs may try to argue that the Revenue was given a pre-Survey agreement on funding for their relocation proposals. But the Revenue presented a fully worked up proposal - Customs have not - and a good case for an early decision. And the Revenue consulted the Financial Secretary and worked through the details with Treasury officials first before seeking a decision in principle and consulting staff on proposals. (Treasury scrutiny resulted in a 25% saving in the transitional costs of the move).

13. We recommend that you respond refusing to agree the proposals (and their finance) in principle, and steering Customs back onto the normal track, ie that they discuss the proposals in the first instance with the Economic Secretary and officials. (The Economic Secretary's meeting with Mr Unwin to discuss their PES bid on 19 June is convenient.) Meanwhile, there are several technical points which we need to pursue with Customs at official level.

14. A draft letter is attached. RC and GE are content.



J F GILHOOLY

C O N F I D E N T I A L

MINUTE

ALEX

DRAFT LETTER FROM

PS/CHANCELLOR

TO

MR UNWIN - CBE

AND EXCISE HEADQUARTERS

CUSTOMS / RELOCATION

cc as in Unwin
note below for Tsy

+ Mr Stuchan - CBE
Mr Jefferson - CBE
Mr Romanski - CBE
PS/CBE

The Chancellor was grateful for your ^{minute} note of 30 May, ^{headquarters} enclosing your relocation report. He has commented that all the options will need to be examined very carefully, and in relation to the ^{other} bids which ^{Customs has} you have made in PES. He would be grateful if your officials and ^{those in the} Treasury [Officials] would take this forward, reporting to the Economic Secretary in the first instance.

the chancellor does not think

Until the necessary further work is completed, it would ~~not~~ be right to ask the Chief Secretary to consider giving agreement in principle to the proposals, and he concludes that the report should not, therefore, be circulated to staff or staff representatives at this stage.

BF 19/6



FROM: A C S ALLAN

DATE: 12 June 1989

22/6

29/6

MR UNWIN - Customs & Excise

cc PS/Economic Secretary

BF Unwin 5/7

Waterford 220/7 10/7

CUSTOMS & EXCISE HEADQUARTERS RELOCATION

The Chancellor was grateful for your minute of 30 May, covering the report of the team reviewing the location of Customs & Excise headquarters.

2. His initial view was that the options needed to be examined further, and in relation to the other bids which Customs have made in the Survey; on that basis, the next step would be for Treasury and Customs' officials to take this forward, reporting to the Economic Secretary in the first instance. If so, and until the necessary further work was completed, the Chancellor would not think it right to ask the Chief Secretary to consider giving agreement in principle to the proposals, and would feel that the report should not, therefore, be circulated to staff or staff representatives at this stage.

3. You told me that you would like to discuss this further with the Economic Secretary before the Chancellor reaches a final view.

A C S ALLAN



Board Room
H M Customs and Excise
New King's Beam House
22 Upper Ground
London SE1 9PJ
Telephone: 01-620 1313

Opps
Pay

ECONOMIC SECRETARY

FROM: THE CHAIRMAN

DATE: 12 JULY 1989

RELOCATION

Following our discussion on 28 June Customs and Treasury officials have been considering our relocation proposals in greater detail. I hope it will be possible to make rapid progress, but it now seems to me unlikely that we shall be able to reach any final conclusions before the summer break.

2. As I indicated, therefore, I think I must send a holding message to the staff to let them know that no decisions can be expected until later in the year. There is a great deal of concern and uncertainty and I should want in any case to use the message to reassure the staff - and the unions - that they will be given proper opportunity to give their own views before final decisions are taken.

3. I have it in mind to send round something on the lines of the attached and I hope you will see no difficulties in this. It will help me and my senior colleagues to hold the line for the time being.

A handwritten signature in black ink, appearing to be 'J B Unwin'.

J B UNWIN

Distribution: Mr Gilhooly

cc. *ps*/Chancellor

Mrs V P M Strachan
Mr Howard
Mrs Boardman
Mr Sage

MANAGEMENT IN CONFIDENCE

RELOCATION: DRAFT STATEMENT TO HQ STAFF BY ~~Director~~ CHAIRMAN

RELOCATION

When I last wrote to you in September 1988, I said that the Board had asked the Relocation Review Team to undertake further study into a number of variations of the basic relocation models for Headquarters. These models were explained in "The Newsletter" , August 1988. Many of you will be aware that members of the Review Team have now moved on to other work and will be wondering what stage the work has now reached, and when you can expect to hear the outcome.

2. In commissioning this further work the Board was concerned to ensure that some of the wider issues raised by the models were given the fullest possible consideration before any decision, even in principle, was taken on the scope, scale and timetable for a relocation of HQ work away from London and the South East.
3. Inevitably, this work has taken sometime to complete and there are still a number of outstanding points which are being pursued currently with the Treasury and the other Departments we are required to consult. As a result, we are

unlikely to be able to publish the Reviews' recommendations until late in the year. At that time we intend to consult the Trade Union Side formally on the Review's proposals, and to give individual staff as much opportunity as possible to express their personal views on relocation issues before final decisions are taken.

4. In the meantime a new Branch, PDA5, has been set up in Personnel Directorate to carry forward relocation work generally (including the consideration of the wider personnel issues which would arise from any relocation). The new Branch will also be responsible for the general co-ordination of the detailed work which is being carried out at local level by Divisional staffing officers on the specific plans which have already been announced to relocate certain Branches. To this end PDA5 will be in close touch with the line management concerned.

cc. All Collectors