PREM 19/2039

Disposal Policy

HSE to Beattie

Part 3

In attached folder:
Evaluation of the Disposal of Part of the ODA to East Glendale.

CIVIL SERVICE

Pt 1: May 1979

Pt 3: Sept 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~27.10.86~~		30.3.88					
~~30.11.86~~		PT 3					
~~17.2.83~~		GNOS					
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~~14.9.87~~							
~~18.9.88~~							
~~25.3.88~~							

PREM 19/2039

Dd 533270 5M 2/78 8362633 JET

PART 3 ends:-

PG to PM. 30.3.88

PART 4 begins:-

PG to SCOTTISH OFF. 5.4.88

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(EA)(83)3	17/02/1983
E(A)(84)58	23/10/1984
E(A)(84)59	25/10/1984

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AN EVALUATION OF THE DISPERSAL OF PART OF THE ODA TO EAST KILBRIDE

Final Report

Brian Ashcroft
Darryl Holden
Jane Smith
Kim Swales

March 1988

ACKNOWLEDGEMENTS

The authors would like to acknowledge the help and co-operation of the ODA, IDS and PSA in the research and writing of this report. In particular we would like to thank Susan Unsworth and David Richards from ODA in London, Frank Crampsey from ODA at East Kilbride, and Maurice Grant, Isabelle Low, Jeremy Peat and Colin Walker from IDS.

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INTRODUCTION

This report is an evaluation of the relocation of part of the Overseas Development Administration (ODA) from central London to East Kilbride, Scotland. This was one of the blocks of work which have moved to the regions as part of the post-Hardman round of Government office dispersal.

The report is in 7 chapters. Chapter 1 gives a short history of office dispersal policy and reviews previous work on Government office dispersal. Chapter 2 outlines our research method. Chapter 3 evaluates the impact of dispersal on the ODA itself. This evaluation includes the direct costs of the move, the differences in operating costs in the two locations and the impact of dispersal on ODA efficiency. Chapter 4 considers the implications of dispersal for staff transferred to the ODA at East Kilbride. Chapter 5 measures the effect of dispersal on the recipient local economy in terms of income and employment generation. Chapter 6 gives an overall cost-benefit calculation for the dispersal and tests how robust these calculations are through sensitivity analysis. Chapter 7 discusses the cost effectiveness of dispersal in generating increased local employment.

AN EVALUATION OF THE DISPERSAL OF PART OF THE ODA TO EAST KILBRIDE

Executive Summary

Brian Ashcroft
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March 1988

1. [redacted]'s report is an evaluation of the relocation in 1981 of part of the Overseas Development Administration (ODA) from central London to East Kilbride, Scotland. This was part of the post-Hardman round of Government office dispersal.

2. The dispersal involved 427 posts: 156 in mobile and 271 in non-mobile grades. Of the 156 mobile grades, 51 were recruited from ODA in London, 20 from other Government Departments in London and 85 from other Government Departments elsewhere. Many of those recruited from outwith the ODA already lived in West Central Scotland, and we estimate that overall 98 Civil Servants in mobile grades and 11 in non-mobile grades moved to East Kilbride on dispersal.

3. The study has attempted to identify three main effects of dispersal:

- The departmental resource effects on the ODA
- The impact on dispersed staff
- The impact on the local economies of East Kilbride and Strathclyde Region

Costs and benefits have been identified and where possible quantified and valued. They have been brought together in an overall Cost Benefit Analysis (CBA) which gives the effects of the ODA dispersal from the point of view of the UK economy as a whole. A separate calculation has been made of the cost per net additional local job.

4. In order to identify these costs and benefits, three major pieces of work have been undertaken:

- A questionnaire study of all mobile grades currently at East Kilbride
- A series of interviews with ODA staff at London and East Kilbride.
- A multiplier study of the impact on the recipient region.

Much information has also been directly derived from Civil Service Departments, particularly the ODA (both at London and East Kilbride), PSA and IDS.

DEPARTMENTAL RESOURCE EFFECTS

5. These savings and costs break down into 5 main categories: wherever possible, conservative assumptions have been made.

- Initial Dislocation Costs
- Accommodation Costs and Savings
- Additional Communication Costs
- Effect on Efficiency and Staff Deployment
- Reduced Payments for London Weighting

1987/8 prices are used and where appropriate the net present value (NPV) is estimated as at 1981/2. In general, conservative estimates have been used. That is to say, where a choice is available and there is no clear a priori rationale favouring one, the higher estimate of costs and the lower estimate of benefits is chosen.

6. Initial Dislocation Costs: These include additional staff required to administer the dispersal, additional staff training costs and the costs of assisting the transfer of staff to East Kilbride. Almost all these are one-off costs which occur around the time of dispersal. They are estimated at £3.7 million.

7. Accommodation Costs and Savings: Net savings associated with rents and rates are important continuing benefits due to dispersal. Although somewhat smaller in earlier years, from 1987/8 there is a net saving of £0.9, £0.6 and £0.09 million per annum in rents, rates and PSA management and administration costs respectively which will continue for as long as the present complement at East Kilbride is maintained.

8. Additional Communication Costs: Additional communications costs are relatively small at £234.6 thousand per annum.

9. E[redacted]cts on Efficiency and Staff Deployment: These are perhaps the most difficult effects on the ODA to identify and quantify. There are a number of factors leading to possible efficiency gains or losses:

a) Reduced efficiency at the time of dispersal in those departments moving to East Kilbride
b) Additional staff for the continuing administration of two locations rather than one
c) Potential effects on efficiency of any difference in the quality of the staff available in the different labour market
d) Reduced efficiency because of problems of staff deployment
e) Reduced efficiency through communications losses.

a) Previous heads of dispersed departments have told us that there were significant efficiency losses in some departments in the period immediately following dispersal and ODA management have argued that there were also temporary output losses at Eland House around this time. There is a continuing efficiency loss in Statistics.

b) ODA management estimate that 32 additional staff are required to administer the department on two sites, which amounts to just over 8% of the staff at East Kilbride. This figure is large: it is over twice the general estimate made by Hardman. This might be due to the relatively small size of the ODA dispersal.

c) Almost all previous heads of departments at East Kilbride argued that the quality of recruited labour was generally better at East Kilbride than the staff who had previously held the posts in London. It was maintained that the internal efficiency of dispersed departments was, for this reason, higher than it would have been in London. However, objective measures of the quality of new recruits in the two locations do not give unambiguous results, and we have adopted a cautious stance with respect to the continuing efficiency effect of the dispersal. It is not possible to compare efficiency at East Kilbride with the levels that would have been attained in London without dispersal.

d) Operating the ODA on 2 sites, with some staff reluctant to move between sites, causes significant management problems for internal staff deployment in both East Kilbride and in London. We judge that whilst the impact of these problems on efficiency is not serious at the moment, it might become so in the future.

e) It was argued by existing heads of departments at East Kilbride that procedures differ because of distance but that they are not necessarily less efficient. Further, interviews with staff in London having most frequent contact with East Kilbride suggest that communications damage is not a major source of inefficiency.

10. In the base run of the cost-benefit analysis, the only efficiency element which is included is the easily quantified additional staff required to administer the dual sites. Other efficiency factors are dealt with in the sensitivity analysis.

11. Reduced Payments for London Weighting: These are a continuing major departmental resource gain reflecting the higher opportunity cost of labour in London. These savings amount to £0.7 million per annum for as long as the present complement of staff remains at East Kilbride.

12. The departmental resource effect comprises large quantifiable continuing cost savings on rents, rates and London weighting. These cost savings have NPVs of £12.3, £7.4 and £11.2 million respectively. Against these must be set the costs of disruption and additional training that the department faced at dispersal and possible subsequent efficiency losses through operating distant dual sites. Some of these disruption and efficiency costs are quantifiable: others are identifiable but impossible to accurately value. The largest quantifiable cost of dispersal is the expenditure on additional staff required to administer the two sites, which has an NPV of £6.0 million.

IMPACT ON DISPERSED STAFF

13. The effects on dispersed staff were gauged through the analysis of the questionnaires. The reponse rate was just over 60% and those responding were, on most criteria, a representitive set of those receiving the questionnaire. The only major reservation is that only a small number of those responding had moved from the ODA in London at dispersal.

14. The impact was analysed in terms of 5 factors:

- Domestic Relocation Costs
- Spouses'/Partners' Labour Market Costs
- Housing Costs
- Transport Costs
- Qualitative Differences in Local Environment and Services

15. Domestic Relocation Costs: In some cases these were substantial, but were mainly met by the Civil Service.

16. Spouses'/Partners' Labour Market Costs: For an estimated 42 families this was a problem with an average loss of income through involuntary unemployment of just over £4,600 per affected family.

17. Housing Costs: House prices are lower in East Kilbride and Glasgow than in Britain in general and London and the South-East in particular. But almost all respondents traded up when they moved to East Kilbride. However, even so, up to 1987 those Civil Servants moving from London have, on average, forgone a windfall gain of £27,000 through differential house price inflation.

18. Transport Costs: There is a reduction in both commuting costs and travel to work times in East Kilbride.

19. Qualitative Differences in Local Environment and Services: Local services in East Kilbride were generally judged as superior to those in previous locations.

20. When asked whether they would prefer to be located in East Kilbride or London an overwhelming majority of those who moved to East Kilbride expressed a preference for East Kilbride. In dispersing, many moved closer to their wider family. Generally we concluded that there were clear benefits to those staff who dispersed, although this is a reflection of the voluntary nature of the individual Civil Servant's decision to disperse.

IMPACT ON THE LOCAL ECONOMY

21. Estimates were made of the effect on income and employment of increased consumption and population brought about through the injection of Civil Service jobs for both the East Kilbride and Strathclyde Region. The figures for Strathclyde are larger than the comparable figures for East Kilbride because many of those who work in East Kilbride live outwith the new town. Their consumption generates additional jobs outwith East Kilbride, but in general within Strathclyde Region. Over time the impact increases because of the effects of changes in population on local authority employment and long-run increases in local construction.

22. The impact of the 381 Civil Service jobs in East Kilbride in 1987 was to increase short-run employment in East Kilbride by a total of 413 and in Strathclyde as a whole by 436. Of these jobs, 219 were recruited from East Kilbride and 332 from residents of Strathclyde Region. This employment was associated with an increased retained local income of £1.9 million in East Kilbride and £3.3 million in the Strathclyde Region. The long-run effects were roughly 10% higher.

23. Overall, we assume no net effect on UK employment from dispersal itself, but clearly there have been substantial local gains.

COST BENEFIT AND COST EFFECTIVENESS ANALYSIS

24. Those elements of the costs and benefits of dispersal to the national economy that can readily be valued are brought together in a cost-benefit analysis. Dispersal can be most usefully thought of as an investment where typically initial costs, such as dislocation costs to the Government

depa[redacted]ent and dispersing Civil Servants, are associated with future savings, such as lower rentals. They are expressed in fixed (1987/88) prices and discounted back to a particular date (1981/2). This has the effect of reducing the measured value of costs and benefits in later years.

25. The base run calculation is an evaluation over a period of 30 years, with a real discount rate of 5% and with employment at East Kilbride constant at its 1987 level. The present values of the major costs are:

- Dislocation Costs £3.7 million
- Additional Communication Costs £3.8 million
- Additional Administrative Posts £6.0 million

Total costs £14.1 million

The present values of the benefits are:

- Net Savings in Rents £12.3 million
- Net Savings in Rates £7.4 million
- Net Savings in PSA Maintenance and Administration £1.1 million
- Saving of London Weighting £11.2 million

Total benefits £32.0 million

At a 5% discount rate the net present value (NPV) of the dispersal is £17.9 million. For this case the dispersal 'breaks even' in the financial year 1986/7 i.e. by then the present value of benefits equals the present value of costs.

26. Sensitivity analysis was performed to see how robust these calculations were to changes in the discount rate, the employment change at East Kilbride after 1987 and in particular the assumed post-dispersal efficiency of the ODA. In brief the results were:

a) Even with a discount rate of 7% the NPV is still highly positive at £13.0 million.

b) A 30% increase in employment increases the NPV to £20.3 million: a 30% decline still leaves a positive NPV of £15.5 million.

c) Even taking the most extreme case of no value of output for Pensions in the 2 year dispersal period, a large positive NPV of £16.3 million remains. However, it might be that the efficiency effects of dispersal are much more diffuse, affecting the quality of aid administration in general.

27. The annual quantifiable savings from dispersal are £1.7 million. This is 0.2% of the annual bilateral aid budget. However, it is more useful to compare the ratio of quantifiable savings to annual aid administration expenditure (excluding scientific units). On this basis, the savings would be nullified if the efficiency of the resources funded from the Aid Administration Vote were reduced by 5.5%.

28. Quite apart from the economic implications for the relocating department, it is useful to consider the effectiveness of this dispersal as an instrument for generating jobs in a development area. The net Exchequer benefit for our base calculation is £19.4 million. This implies there is a <u>negative</u> cost-per-job of approximately £51 thousand.

29. In summary, our work suggests that the ODA dispersal to East Kilbride was both an efficient use of resources at a UK level and a highly cost-efficient means of transferring employment and activity from London and the South East of England to a development area.

CHAPTER 1: DISPERSAL OF OFFICES.

Office Dispersal Policy : General

1.1 The principal objective of office location policy in Britain has been to relieve congestion in London and the major conurbations and to increase employment and economic activity in development areas.

1.2 Until the early 1960s it was generally believed that only manufacturing activities were capable of generating new local service industries. For example, the 1939 Barlow Report (The Royal Commission on the Distribution of the Industrial Population), suggested that problems of regional imbalance and urban congestion were associated with the location of manufacturing. But by 1963 it had become apparent that office employment was a major growth area. Thus, in that year, the Location of Offices Bureau (LOB) was created to encourage decentralisation of office employment from "congested central London to suitable centres elsewhere" (Butler 1973 p.1), although those centres were not defined.

1.3 In 1965 the Control of Office Development Act was introduced to check the growth of offices in central London and to "promote the better distribution of employment in Britain". The Act gave added force to the LOB's aims. The Act required an Office Development Permit (ODP) to be sought for any development greater than 3000 sq. ft. with the intention that firms unable to build offices in the big conurbations would move to more distant locations. In the event, Goddard (1973) argues that firms just abandoned any plans to move at all, especially since at that time there were few financial benefits to be gained by moving to assisted areas.

1.4 In 1964 the LOB commissioned the Economist Intelligence Unit (EIU) to undertake a study into the factors governing the location of offices in the London area. This study concluded that the most important cause of firms remaining in London was the expected loss of communications consequent upon dispersal, both within and outwith their organisation. However EIU also found that the experiences of firms that had moved showed this problem to be far less serious than had been anticipated (Bennett, 1964, paras 3-6).

1.5 In 1973 the Government announced additional financial incentives for firms which moved their offices to the development areas. Partly this was due to the realisation that office employment in the expanding service sector could be used in the same way as manufacturing industry to increase employment opportunities in the region as well as reducing "overheating" in London. The main objective of dispersal prior to 1973 had been to reduce congestion in London rather than to increase employment in the development areas, with the result that 87% of all LOB jobs dispersed between 1963 and 1973 moved within the South East and 93% to non-assisted areas (Butler, 1973, p.4; Goddard, 1973, p.38).

1.6 A study by Rhodes and Kan (1970) suggested that the greatest gains to companies accrued by moving between 50 and 100 miles from London. Thereby they were outside the London labour market but still within easy travelling distance of London. They also found that the most significant savings were in office rents and staff costs. Although there was no major difference in wage rates, companies saved by taking the opportunity to replace older male workers by lower paid female staff. Communication costs eg telephone, transport and postal charges usually increased significantly on a move out of London, although in total they constituted only about 8% of firms' operating costs. The supposed indirect and hidden costs of loss of business contacts were the most important factor preventing firms dispersing. Nonetheless, Rhodes and Kan found that, as with the LOB study, most firms that had decentralised managed to overcome these problems by substituting informal contact with fewer but more effective formal meetings.

2. Office Dispersal : Civil Service

1.7 Although we considered literature on private office relocation, none of the studies that had been undertaken seemed to be of particular relevance to this dispersal. The first major report (published in 1963) on Civil Service dispersal was prepared under the chairmanship of Sir Gilbert Flemming and recommended the dispersal of 50,000 jobs from London. "Sir Gilbert Flemming's approach was to identify self contained units of

exe[redacted]ve work that could be separated from London and the rest of the Government operation fairly readily and without intolerable loss of efficiency" (Hardman Report, p.22). Thus the work he recommended for dispersal tended, by its nature, to be low level clerical posts in the form of accounts, pensions or statistics departments. Generally he did not suggest precise destinations to which work should be moved but indicated possibilities in a very general manner eg "a centre within two hours travelling distance of London", "periphery of London" (Priestly, 1973, p.3). These dispersals took place between 1963 and 1973. 70% went to assisted areas, even though it was not until 1967 that regional policy objectives were incorporated into Government decisions on office dispersal. Thus when a Review was inaugurated in October 1970 under Sir Henry Hardman, it was required to balance regional policy objectives with losses in operational efficiency.

3. The Hardman Review

1.8 The Hardman review, commissioned in 1970 and published in 1973, considered for the first time the dispersal of the more important policy making jobs to provincial locations. Its terms of reference as set out in paragraph 1 of its report were to review the location of Government work with particular reference to dispersing more of it from London. In total 86,000 posts were reviewed and 31,000 were recommended for dispersal.

1.9 Hardman considered his brief from several viewpoints: the economics of dispersal; communications; qualitative factors, and receiving locations.

1.10 Economics of Dispersal: This was defined to include the resource effects, the changes in pattern of Government expenditure and the change in Civil Service numbers.

On resource effects Hardman concluded that there would be only a limited gain for various reasons (p.6-7):

i) [redacted] new jobs created would go mainly to women, many of whom do not register as unemployed.

ii) He asserted that if, as seemed most probable, most of the unemployed in the receiving location had different skills from those required by the posts to be dispersed then again there would be no resource gain.

iii) He argued that the most important resource gain came from using less costly provincial accommodation.

iv) He assessed the likely increase in staff to be around 60 posts per thousand jobs dispersed with about half of these being temporary. Thus he put the long term resource loss at 30 posts per thousand dispersed, as this would be the measure of the increased cost.

1.11 Hardman argued that there were resource and social benefits from dispersal and these were roughly proportional to the number of jobs moved. Estimates from the Report suggest a post dispersal resource use benefit of between £3,000 and £8,000 per job at 1973 prices. Resource gain and number of jobs moved were combined by Hardman into a single value criterion, "benefit" which was resource gain plus a multiple of the number of jobs to be moved. At the time, Hardman chose "7" but the rationale for this choice is unclear (Hardman, 1973, p.69).

1.12 Communications: A study of the frequency of communications between different departments, both internal and external, was undertaken and a measure of the strength of the link for each block of work to London was established.

1.13 For the purpose of the study, departments were divided into "blocks of work" consisting of "groups of staff with an identifiable responsibility and who are in day to day contact with each other to such an extent that they should be considered indivisible for the purpose of a dispersal exercise."

Detailed information was then collected on:

- Patterns of contact of blocks of work;
- Patterns of contact of the most senior staff and Ministers
- The impact of parliamentary business
- Any other special features.

1.14 In Appendix 6, Hardman considers how this measure of "link strength" can be used to assess the reduction in efficiency arising from the separation. He defines this as the damage that would occur from travelling to a certain proportion of meetings and abandoning the rest. It is assumed that the greater the distance from London, the more likely it is that meetings will be abandoned. Thus the amount of damage is also proportional to the distance from London over which work is moved.

1.15 In his report Hardman placed a great deal of emphasis on the relationship between communications and efficiency, and the extent to which distance from London will affect communications and therefore efficiency. In economic terms efficiency is measured as the relationship between inputs and outputs. Hardman says that because some communications damage will occur after dispersal then the Civil Service would be a less efficient organisation after dispersal than before. However, in arguing this he took no account of the relative value of inputs which may render the dispersed option more efficient. It is therefore necessary to consider whether the same output is capable of being produced by increasing the level of lower cost inputs.

1.16 Hardman adds that "the damage to the efficient operation of a department cannot be measured simply in terms of the extra hours of travelling and other financial costs involved in the dispersal and by setting these directly against the resource gains from a move to a particular location". But he does not define the other factors that need to be considered and it can therefore only be assumed that he is referring here to situations where no substitute can be found for a communications loss. This may occur in cases where a decision that could have been taken prior to dispersal can no longer be taken. This should be rare since if it

were [redacted] happen to any appreciable extent, the department should not have been judged as appropriate for dispersal in the first place, although it might be the case that communications damage can lead to greater organisational inflexibility. Generally, the additional costs of, for example, extra staff and travel time can be offset against the resource gain to assess the change in efficiency.

1.17 Qualitative factors in the judgement: Hardman also commissioned a report from the Tavistock Institute of Human Relations on the human aspects of dispersal. They were asked to consider welfare aspects, financial implications for the individual mover and the obligation of staff to move to any particular location.

1.18 Receiving Locations: Hardman says that separate consideration was given to possible receiving areas, although in the beginning the numbers of people involved were not known. Two factors were 'identifiable and dominant'. First, the interests of regional policy. Second, the efficiency of the operation of government departments. A preliminary study of possible locations was prepared and considered by Ministers. They authorised a further study of a number of selected locations.

4. Criticisms of Hardman

1.19 The Terms of Reference of the Hardman Review have been criticised by Goddard (1973) for only considering jobs located in the centre of London, thereby overlooking a large number of potentially mobile posts in the south east region outside London. Consequently he criticises the recommendations for failing to do enough for the development areas.

1.20 Stephen (1975) criticises the Hardman Review on a number of grounds:

i) In terms of resource gain, Hardman assumes that there is no gain either when jobs go to women who are unemployed, or where the jobs transferred are not matched by the skills of those on the unemployment register. In the first case Stephen says that there is an obvious resource gain, and in the second he cites the example of the Post Office's move to Durham, where 30%

of [redacted]al recruits were previously in non-clerical employment. The jobs thus vacated may well have been suitable for those previously registered as unemployed (Stephen, 1975, p.112-113).

ii) He accuses Hardman of equating resource gain with financial gain. In a later study concerning the proposed dispersal of the Ministry of Defence and Property Services Agency (Ashcroft, Stephen and Swales, 1979) resources are defined as having both a financial cost and an opportunity cost. "The opportunity cost of the resource is the real cost to society: it is the output from other uses which must be foregone if these resources are used to produce government administration".

iii) Stephen (1975, p.113) criticises the methodology used by Hardman which he says suggests that Hardman is attempting to make some "trade off between efficiency and redistribution, which values the redistribution of one job as being socially desirable even at a cost to society of £7000" and asks "On what basis does Sir Henry make this judgement?."

1.21 Since the Hardman Review very little new research has been undertaken on dispersal. However, in 1979 members of the present team were commissioned by the staff side of the Whitley Council to estimate the cost and benefits from two proposed Civil Service dispersals: the Property Services Agency to Middlesbrough and the Ministry of Defence to Cardiff. The Civil Service Department have also conducted appraisals of the dispersal programme (Committee on Scottish Affairs, 1981, Volume 2, Appendix 1) and have presented figures showing a substantial net resource cost for dispersal to Glasgow and East Kilbride. The Strathclyde University study estimated that there were likely to be considerable net resource benefits from the dispersals they had studied. These differences occurred because of the different emphasis placed on certain aspects of the evaluation, and disagreements over certain assumptions concerning the multiplier values. The Strathclyde study assessed a number of aspects of dispersal; departmental resource effect; net effect on transferred staff; net effect on existing staff who remain in London; impact analysis on the recipient region; impact analysis on the donor region; net employment

aff[redacted] and the overall resource effect. However, both these studies were limited in that they were ex ante evaluations.

5. Dispersal of ODA posts to East Kilbride

1.22 The Hardman Report "reluctantly recommended" the dispersal of 1177 ODA posts from London to East Kilbride. For various reasons, (for example transfer of staff to different departments and efficiency and manpower savings), the original target was gradually reduced until by 1980 the number of posts to be dispersed was 427. The Hardman figures had included the Department of Overseas Surveys (381 posts) but this proposal was withdrawn in 1979. A detailed breakdown of the numbers involved in the dispersal proposals is given below (Committee on Scottish Affairs, 1981, Volume 1, paragraph 2).

1.23 The dispersal of the 251 non-mobile posts was intended to provide employment for local people.

1.24 In addition it was anticipated that between 130 and 260 jobs would be created at East Kilbride as a consequence of the secondary multiplier (Committee on Scottish Affairs Volume 1 paragraphs 5 and 6).

1.25 The original number was made up as follows:-

Overseas Resettlement Bureau	19
Departments now being relocated	458
Common Services	319
Directorate of Overseas Surveys	381
	1177

1.26 In 1974 the Government decided that the number to be dispersed should be 1000 including 350 from the Directorate of Overseas Surveys.

1.27 In 1975 an official study was undertaken on the likely common services requirements at East Kilbride: this was estimated to be 240 posts. At this

time the number of posts in other departments to be dispersed was 400, 58 posts having been transferred to the Crown Agents which presently occupy part of Abercrombie House.

1.28 Thus by 1975 the number of posts to be dispersed was:-

Overseas Resettlement Bureau	19
Departments now being relocated	400
Common Services	240
Directorate of Overseas Surveys	350
	1009

1.29 Since 1975 the following reductions in numbers have taken place:-

Overseas Resettlement Bureau			-19
Common Services			-103
Departments	Pensions	-50	
	Computerisation	-30	
	Retained in London	-30	-110
Directorate of Overseas Surveys			-350
			427

1.30 It should be noted that the final figure here of 427 (Committee on Scottish Affairs, 1981, Volume 2, Appendix 7) is slightly different from that quoted in the Report (424), and there does appear to be some inconsistency in the calculations. However the two figures are close enough for this difference not to be significant.

1.31 The dispersal took place in 1981 and involved 427 posts. Of these 156 were in the mobile grades and 271 in non-mobile grades. 61 people who were already employed by the ODA in London moved with ODA to its new location. An additional 115 Civil Servants, all in mobile grades, moved from other

government departments to East Kilbride. Thus 251 non-mobile posts were filled by direct local recruitment.

1.32 By June 1987, when this study took place, there were 381 Civil Servants in post at East Kilbride. The breakdown of these posts amongst grades is given in Table 1.1.

Table1.1 The Breakdown by Grade of Civil Servants in Post at East Kilbride in June 1987

Messengers	35
Secretaries	20
Administrative Asst/ Officer	162
Executive Officer	86
HEO	53
SEO	15
Principal	7
Snr Principal	2
Grade 5	1
TOTAL	381

CHAPTER 2: RESEARCH METHOD

2.1 The project comprised 4 major elements. These were:

- A literature review of previous work on office dispersal.
- An impact analysis on the recipient and donor regions.
- A questionnaire-based study of the staff in the dispersed office.
- Interviews with senior staff in London and East Kilbride.

Additionally much information has been made available by a number of Civil Service departments, particularly the ODA, IDS and PSA.

2.2 A review of the existing literature on office dispersal has been undertaken. This was summarised in Chapter 1. It focused particularly on the UK experience of Government office dispersal, although private sector office decentralisation was also considered and relevant information from other countries was sought.

2.3 The impact of dispersal on income, employment and output in the recipient region has been analysed using an extended Keynesian multiplier model. For the recipient region we have made separate estimates for East Kilbride and Strathclyde Region. The model adopted has been used in previous work, and its detailed formulation is given in Ashcroft and Swales (1982) and Nairn and Swales (1987). It has been designed to deal specifically with situations where there is significant in-migration, and will give estimates for small areas where there is extensive commuting. The model's detailed specification is given in Appendix 2.

2.4 To make the multiplier calculations, the value of rather a large number of parameters must be estimated. These parameters relate to the nature of the initial injection and the relevant local economy. Information on the injection, such as average earnings of mobile and non-mobile staff and their location has been obtained from the questionnaires and interviews. Information on the local economy has generally been gleaned from published sources and previous work in the area reported in Nairn (1985).

2.5 Questionnaires were sent to all of the East Kilbride ODA staff in mobile grades and their partners/spouses. Data were required both from those Civil Servants who moved with the relocated office and from those who, whilst not moving themselves, are now located in East Kilbride rather than some other part of the UK. The questionnaires were sent out at the end of September with distribution and collection organised through the ODA at East Kilbride.

2.6 Information from all the respondents was important for two aspects of the study.

a) Data on certain characteristics of the mobile and potentially mobile Civil Servants were required in order to estimate the impact on the local economy. Such information includes residential location and family composition.

b) The costs and benefits of employment in East Kilbride to those Civil Servants in mobile grades need to be identified as part of the overall evaluation. Here factors such as commuting costs, housing costs and the standard of local services have been assessed.

2.7 Questions were also asked concerning some of the costs to the Civil Service from dispersal which individuals might be able to identify. These included the search costs and transactions cost of finding a new house and the proportion of these costs met by the Civil Service. Questions were also asked on double banking, detached duty and the extent of what Hardman called communications damage (additional travelling and cancelled meetings).

2.8 The data were extracted from the questionnaires and computerised. The analysis was undertaken using SPSS-X. Copies of the questionnaire and a more detailed description of the nature of the response are given in Appendix 1.

2.9 Interviews were held with senior staff in East Kilbride and London to help assess the administrative costs and benefits of dispersal to the ODA, and the Exchequer implications of the dispersal.

2.10 To identify the effects of dispersal on the overall efficiency of the ODA the interviews were designed to elicit information on costs and benefits in the following areas:

a) Accommodation, eg net changes in expenditures on rent, rates furnishings and supplies;

b) communications, eg the cost of abandoned meetings, extra telephone calls;

c) staff, eg costs of staff to manage the dispersal and to retrain staff, removal expenses paid to mobile staff, the lower costs of locally-recruited staff, reduced disruption costs, and savings on London weightings;

d) quality of service, ie whether dispersal has affected the service which the department is able to give to its clients.

2.11 For the evaluation of Exchequer costs, information was sought on:

a) Direct Exchequer costs, eg new construction, building services, rent and rates, transfer allowances;

b) direct Exchequer cost-savings, eg London building costs, London weightings;

2.12 The study evaluates the dispersal of the ODA to East Kilbride in two ways. It uses cost-benefit analysis (CBA) to value the impact of dispersal on the economy as a whole. It also assesses dispersal as a contribution to the regional economy.

2.13 The CBA measures the overall resource effect of dispersal. The estimates of the impact of dispersal on the relevant groups is presented and then combined to give a summary measure of the overall resource effect. Sensitivity analysis is used to test how robust the CBA results are to changes in the discount rate, alternative treatment of rates and variations

in [redacted] assumptions concerning future employment at East Kilbride and the effects of dispersal on ODA efficiency.

2.14 In seeking to assess the effectiveness of dispersal in generating increases in local economic activity a cost-per-job index is calculated by dividing the Exchequer costs of the dispersal by the additional local employment created.

Chapter 3 The Departmental Resource Effect

3.1 In this chapter we present estimates of the departmental resource effects resulting from the dispersal. These effects can be grouped into the following categories: initial dislocation; accommodation; communications; and general efficiency and staff deployment. The costs associated with each category are considered first and where appropriate the resource savings are examined. The estimates presented are for the base case only. These are expressed in terms of 1981/2 present values, at 1987/8 prices[1] using a discount rate of 5%, over one time horizon: thirty years, and assuming that current employment levels are maintained with no future change in relative prices. A more detailed analysis using other discount rates, time horizons and tests for sensitivities is presented in chapter 6 when the overall costs and benefits are considered.

3.2 Our approach to the estimation of costs and benefits is as follows. Where a choice of estimates is available and in the absence of a clear ***a priori*** rationale favouring one of them, we have taken the most 'conservative' values. Specifically, this means that the higher estimate of costs and the lower estimate of benefits is chosen. In most cases the identified effects are both quantified and valued. That is, the numerical size of the effect is first estimated and then the appropriate monetary price or opportunity cost applied. However, in some cases, for example reduced informal contacts, it proved possible only to identify the size of the effect. A direct valuation could not be applied. Moreover, some effects can be neither quantified nor valued. This applies particularly to the temporary effects of the dispersal on the output of the department and the permanent effects on staff deployment and efficiency. Our judgement on these effects is largely based on information obtained from interviews with staff and senior managers at London and East Kilbride. Copies of the interview schedules are provide in Appendix 3. Certain objective indicators are also used to supplement and assess the opinions of the interviewees. In the absence of firm non-subjective evidence on these effects, we conduct a sensitivity analysis in chapter six to establish the effects of the likely 'maximum' temporary output loss and identify the degree of permanent efficiency loss that would be required to erode the net savings that ***are*** quantified and valued in this chapter.

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[1] Based on the GDP deflator at factor cost.

A. INITIAL DISLOCATION

3.3 The main **costs** that can be both quantified and valued under this head include the costs of additional staff, training costs such as the writing of manuals and 'double-banking', the costs of detached duty, and the transfer payments to mobile staff. Dispersal is also likely to have resulted in a temporary loss of output. However, while this effect cannot be valued we are in a position to gauge the scale of the temporary reduction in efficiency from information obtained during interviews with key staff at both Eland and Abercrombie House.

(i) Additional Staff

3.4 Additional staff were employed in a Relocation Unit to effect the dispersal. The Unit was established in 1975 with a complement of 1 SEO, 1 EO and 1 CO. In 1976 the Unit was expanded by the addition of 1 Principal, 1 HEO and another EO, but not all these posts were filled throughout the life of the Unit. In 1980 the complement was reduced to 1 Principal, 1 SEO and 1 EO and by 1 July 1981 the Unit had been disbanded. The Unit was concerned with the abortive move of the Scientific Units to the Bracknell/Basingstoke area as well as the move to East Kilbride.

3.5 To estimate the costs of this Unit we have assumed that all costs were borne by the East Kilbride move, because without further information on the abortive move we have no way of partitioning the costs between the two proposed moves. To that extent the estimate of cost included here will be too high. For those posts created in 1976 and only filled for part of the subsequent life of the Unit, we assume that 1 HEO and 1 EO were in post for only half of the subsequent five year period. Hence, 1 SEO, and 1 EO, are assumed to have been in post for the full life of the Unit, 1 Principal from 1976/7 to disbandment, 1 CO until 1980, and 1 HEO and 1 EO from 1976/7 for 2.5 years.

3.6 We have applied the basic staff costs from the 1980 'Ready Reckoner' to generate cost estimates at 1987/8 prices. Ideally, the basic staff costs for 1975 through to 1980 should have been used but we did not have access to the appropriate 'Ready Reckoners'. This will tend to inflate the costs to the extent that there was a real increase in salaries and other costs during the period of operation of the Unit.

3.7 The cost in present value terms of staff employed to effect the dispersal is therefore estimated to be:

	Present Value 1981/2 £ '000s
Additional Staff	£561.88

(ii) Training

3.8 Over two-thirds of the mobile grades initially came from outwith the ODA. This necessitated a substantial amount of training. The main costs incurred under this head comprise the writing of manuals, 'double-banking' and detached duty.

a) Writing Manuals

3.9 The data we have been able to obtain on these costs are somewhat vague. We have a specific estimate from the Accounts department that the cost of writing and providing manuals for new staff was equivalent to 1 HEO and 1 SEO year during 1980/1. The present value in 1981/2 of the basic staff cost at 1987/8 prices is therefore £42.14 thousand. However, it is clear that manuals were also written in the Pensions department but not apparently in OMS and other departments. The writing of manuals for the Pensions department is likely to have required more resources than those required for Accounts. However, it also appears that manuals might have been written at some later date for staff training purposes in the Pensions department even if dispersal had not occurred. Dispersal may have simply accelerated their introduction. In the absence of further information we therefore assume that the costs for Pensions would be at least equal to those incurred in Accounts which produces the following estimate:

	Present Value 1981/2 £ '000s
Writing Manuals	£84.28

b) Double-banking

3.10 From a total of 166 mobile posts only 61 ODA staff moved with their posts. The remaining posts were filled by officers transferring to the ODA following a 'trawl' through other government departments. These staff had to be trained and this was largely effected by the new staff being 'double banked' for a period with the original staff before they vacated their posts. Question (II3b) in the questionnaire asks: For how long

were you double-banked in your job (in London)? Forty six usable answers were given to this question by staff who had transferred to the ODA from other government departments. On the assumption that the experience in each grade of these 46 represents that of the 105 mobile staff transferring from other government departments at the time of dispersal[2] we obtain the estimates presented in table 3.1:

Table 3.1 Staff Double-Banked[3]

	Months double-banked in year preceding dispersal										
Grade	0	1	2	3	4	5	6	8	9	10	11
AO		2	1	1							
EO	19	16	11	5	3	3	5	3	3	3	
HEO	8			4				4	4	4	
SEO	2	1	2				1			1	1
G7	1	1	1				1				1
G6	2			2							

3.11 The data in table 3.1 produce an estimated double-banking time of 0.58 years for the AO grades, 15.9 years for the EOs, 10 years for HEOs, 2.67 years for the SEOs, 0.5 years for the G7s and 1.75 years for the G6s. However, the ODA has suggested to us that an evaluation of this time would produce an underestimate of the resource costs[4] to the department of replacing staff in mobile posts who were unwilling to move to East Kilbride. Some staff would have remained at the ODA in London after double banking and staff in non-mobile grades would not necessarily have been placed in other departments or retired as soon as new staff were recruited at East Kilbride. The number of headquarter's staff in post is therefore likely to have increased

[2]Calculated by taking the proportion of each grade's responses on the number of months double-banked then multiplying by the number in each grade transferring from other government departments at the time of dispersal.

[3]Note that the table includes 4 AOs who transferred from other government departments.

[4]Other than detached duty costs.

above 'normal' levels during the period of dispersal.

3.12 An examination of the ODA's manpower records bears out this contention. Overall, the data show that headquarter's staff in post rose significantly in relation to complement during the period of dispersal. It was therefore decided to use these data to estimate the cost of double banking and the lag in the adjustment of headquarter's staff back to a 'normal' level.

3.13 For each of the mobile grades the monthly numbers of staff in post were examined for 1979, 1980 and 1981. An examination of the data before double banking commenced and after dispersal suggested a 'normal' level of HQ employment for EOs, HEOs, SEOs, G7s and G6s. For EOs, SEOs and G6s, the 'norm' was taken to be the mean monthly employment during 1979 of 182, 48 and 4, respectively. However, for HEOs and G7s the mean employment in 1979 of 146 and 74.5, respectively, appeared to be too high for the 'norm'. This conclusion appeared to be borne out by the behaviour of the two series during the latter part of 1981, after dispersal had been largely completed. A 'norm' employment of 137.5 and 69.5 was therefore chosen for HEOs and G7s, respectively, to reflect the position both before and after the dispersal period.[5]

3.14 Figure 3.1 graphs actual and 'norm' employment for four of the mobile grades, omitting the G6s where only a few staff were involved. The increase in staff in post during the dispersal period is clearly visible from the graph. Additional monthly employment was then estimated by subtracting the forecast 'norm' from the actual number of staff in post whenever the latter exceeded the former. This procedure produces an estimated time for 'double banking' of 21.17 years for the EO grades, 8 years for the HEOs, 10.75 years for the SEOs, 3.58 years for the G7s,and 2.25 years for the G6s.

3.15 For the non-mobile grades, an examination of the pre-dispersal data showed a clear downward trend in employment during 1979. This trend was estimated and then used to forecast 'norm' employment during 1980 and

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[5]HQ employment in the post-dispersal period has been adjusted downwards slightly to remove the extra staff that the ODA reports as being necessary to run the offices in the two locations.

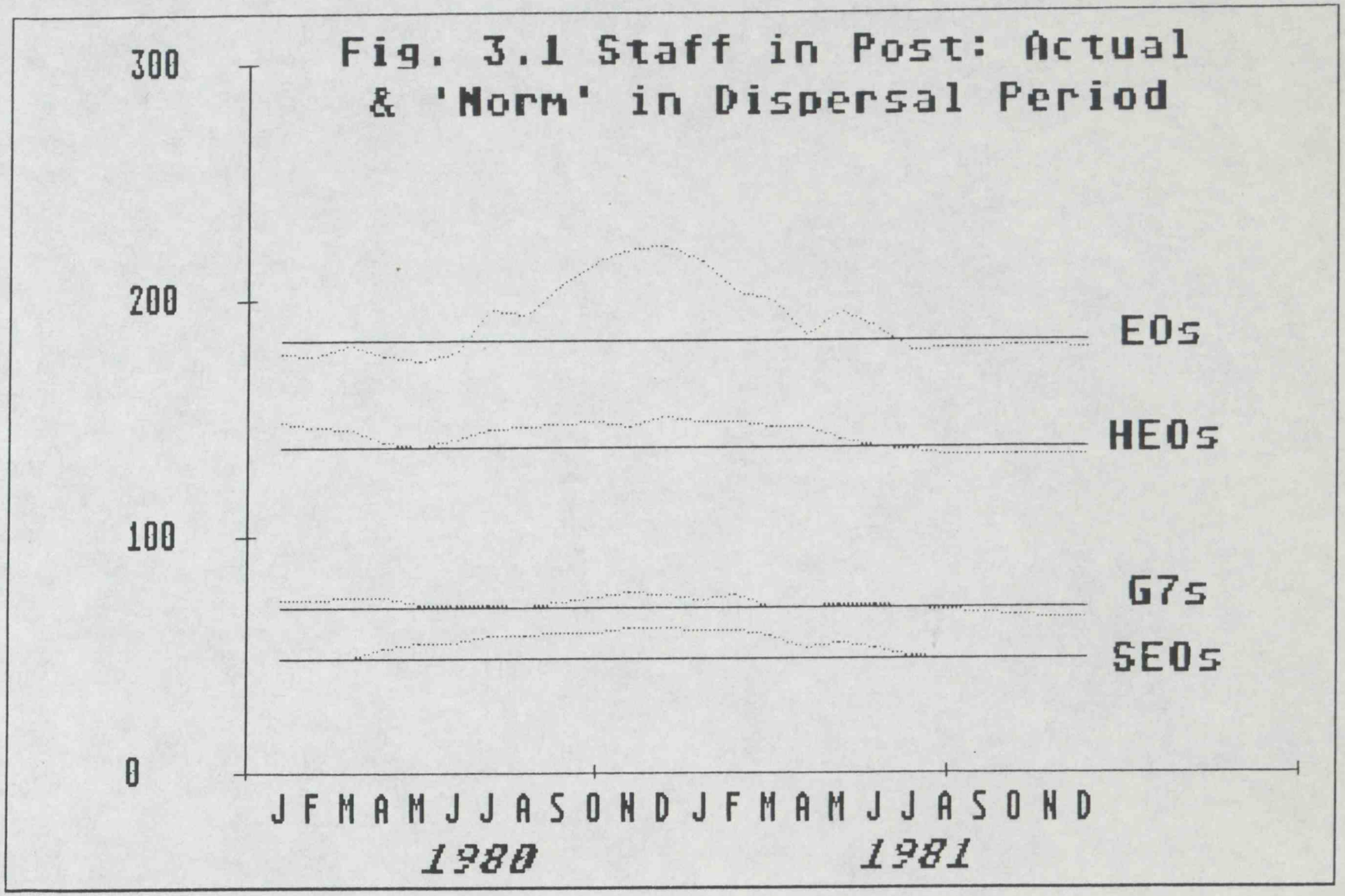
Fig. 3.1 Staff in Post: Actual
& 'Norm' in Dispersal Period
300
200
100
0
EOs
HEOs
G7s
SEOs
J F M A M J J A S O N D J F M A M J J A S O N D
1980
1981

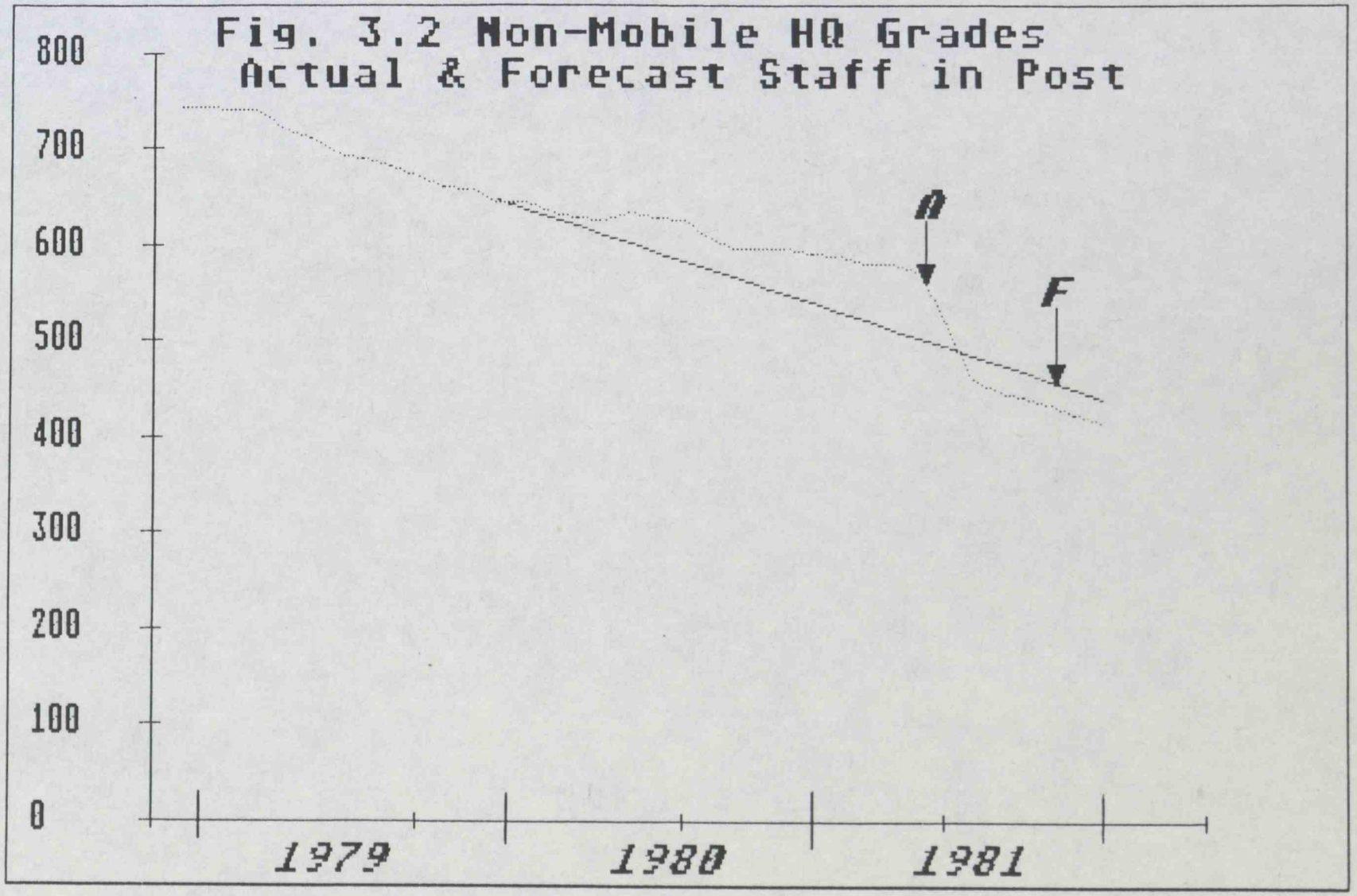
Fig. 3.2 Non-Mobile HQ Grades
Actual & Forecast Staff in Post
800
700
600
500
400
300
200
100
0
A
F
1979
1980
1981

1981.[6] The resulting outcome is graphed in figure 3.2. The monthly difference between A - F was calculated and aggregated to produce an excess employment estimate of 52.33 years. We take this to reflect the lag in adjusting downwards the non-mobile grade employment at Eland House, although it might be argued that the estimated surplus perhaps arises earlier than might have been expected. Nevertheless, paragraph 3.20 below notes that ODA had identified a surplus staff component as early as August 1980.

3.16 Taking the estimated cost of double-banking and surplus staff[7] together produces an estimated present value of:

	Present Value 1981/2 £'000s
Double-Banking and Surplus Staff	£1340.88

c) Detached Duty

3.17 Many of the staff who transferred to the ODA undertook a period of detached duty at Eland House before the move actually occurred. During this period these staff were paid allowances to cover subsistence, lodgings, travel and retention of rooms. Question (II3a) in the questionnaire asks: For how many months were you on detached duty in London? Thirty eight usable replies were given to this question from staff that joined the ODA from other government departments outside London. On the assumption that the experience in each grade of these 38 represents that of the 89 mobile staff that came from outside London and the ODA at the time of dispersal we obtain the following table:

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[6]The estimated equation for this trend is NMG = 762 - 8.9T, where NMG are the non-mobile grades in post during each month of 1979, and T is a time trend taking the values 1 to 12 during that year. The equation which is highly significant, suggests that NMG employment was falling at a rate of 9 employees per month.

[7]Surplus non-mobile grades were valued by taking a weighted average of the basic staff costs of the principal grades involved: AOs, AAs, Per. Secs., Typists and Messengers.

Table 3.2 Non-London, Non-ODA Staff on Detached Duty

	Months on Detached Duty Prior to Dispersal											
	1	2	3	4	5	6	8	9	10	11	12	13
Grade												
AO	2	2										
EO			2		2	5	7	17	12	5	2	5
HEO							7	4	4		4	
SEO				1					3			
G7						2		2				

3.18 Only limited information was available on detached duty allowances and assumptions had to be made on the basis of ODA information. The ODA supplied information on payments to single individuals in each of the relevant grades. Each individual was taken to be the median representative of his grade. Using the data in table 3.2, all staff with a period of detached duty equal to that of the median representative were assumed to have received the same allowance. Those staff with a shorter/longer period of detached duty were assumed to receive less/more on a pro-rata basis.[s] The estimated totals paid for each grade were then aggregated to produce the following cost for detached duty:

	Present Value 1981/2 £'000s
Detached Duty	£523 .44

(iii) Transfer Payments to Staff

3.19 Payments were made to staff to cover the cost of transferring their homes to the new location. These payments are discussed in detail in chapter 4 where the answers to the questionnaire on transfer costs incurred by mobile staff and the allowances received are analy-

[s] So for the EOs the median case is 9 months and the allowance received by the representative individual was £4151. Total allowances for EOs were therefore estimated to be: [2 x 3/9 x 4151] + [2 x 5/9 x 4151] + [5 x 6/9 x 4151] ..... and so on.

sed. Using the data in table 4.2 a maximum and minimum estimate of costs incurred can be computed for ODA movers (61), OGD movers from London (20), and OGD movers from elsewhere (31). The minimum estimate is based on a weighted average of the particular costs incurred. The maximum estimate, on the other hand, assumes that an individual in each of the above three groups incurred costs equal to the average expenditure of respondents in each category. The estimates are as follows:

	Present Value 1981/2 £ '000s
Transfer Payments	£482.92 to £1213.25

3.20 Officers were also entitled to continuing excess rent allowances if the rent paid for equivalent property in the new location was greater than that paid in their original location. There was no evidence from the questionnaire responses that staff had received these allowances. However, we understand from ODA that a very small number of staff at Abercrombie House did receive them although the sums paid were negligible.

(iv) The Temporary Output Loss

3.21 To identify both the temporary output loss resulting from dispersal and any permanent efficiency effects, we have had to rely largely on interviews with key staff at Eland House and Abercrombie House. No attempt is made to value efficiency losses in this chapter. However, in chapter six we test the sensitivity of the overall results to assumptions about efficiency losses.

3.22 Past and present heads of the departments that dispersed to East Kilbride were asked for their views on the efficiency effects and other consequences of dispersal - see Appendix 3. ODA also suggested and arranged interviews with other staff to provide us with an overview of the effects of the dispersal, or their experience of particular consequences of the move for communications, or staff deployment and efficiency. We mean no disrespect to our interviewees when we suggest that this evidence must be viewed with caution. An assessment of the effects of dispersal requires a comparison with a counterfactual of what would have happened in the absence of dispersal. Several interviewees, particularly current heads of departments at East Kilbride, acknowledged that they were unaware of the conditions in the departments before and at the time of dispersal. Current heads were also less well placed to judge the developments in departments remaining in London which might have affected the East Kilbride

departments had dispersal not occurred. Others, from the group of previous departmental heads interviewed, did have experience of their department in one capacity or another before and after dispersal and were in a better position to judge developments at Eland House. However, in view of the difficulties that respondents will have had, in making before and after assessments, in sifting out dispersal-related effects from other factors, in understanding the effect of dispersal on departments other than their own, and in forming an objective view of the operations for which they were responsible, it should be clear that the interview evidence is not sufficient to allow us to draw general conclusions about the net efficiency effects of the dispersal. Nevertheless, the interview evidence referred to in subsequent paragraphs is important because it demonstrates how key personnel view the dispersal.

3.23 Almost all the key staff interviewed felt that dispersal had had a marked effect on efficiency in the immediate period after dispersal. In some departments at Abercrombie efficiency was low initially largely because two-thirds of recruits came from outwith the ODA and training was limited. In addition, the dispersal resulted in Eland House losing large numbers of staff in the lower grades to other government departments. Data provided by the ODA show that 38 EOs, 170 AOs and 30 AAs were declared to the Staff Transfers Unit in August 1980 as surplus and prepared to transfer to other departments. The exact numbers eventually transferred are not readily available but it is suggested that the numbers do not differ significantly from the above. ODA inform us that these staff were transferred on the principle of 'last in first out' resulting in the younger and brighter members of the grade leaving. While this need not necessarily be damaging since more experienced staff would be left behind, ODA have explained that efficiency at Eland House was affected immediately due to the loss of trained staff and in the longer term because of the impact on the quality of staff available for promotion to EO and HEO which was felt for several years after dispersal.

3.24 For the departments that moved to Abercrombie, the evidence from the interviews suggests that the transitional effects on efficiency differed to some degree. In Accounts, the sense of the interviews is that these effects were minimal. Indeed, the head of the department at the time felt that after eighteen months the department was operating more efficiently than it had been in London. Of course whether the department would have also increased its efficiency had it stayed in London is an open question. In OMS, the head of the department at the time considered that dispersal acted

as a spur to increased efficiency as staff sought to make the move work. However, in the Pensions' department there appears to have been very marked transitional effects.

3.25 The head of Pensions who joined the department a year afer dispersal described the problems as follows. The work of Pensions is complex and highly technical. In this large department of over 60 plus support staff only 4 moved with their posts. Little training had been given to new staff. Mobile grades who had moved from other government departments found it difficult to adapt to the nature of the work in the department and the quality of these staff was variable. Transitional inefficiency was manifested in delays in dealing with cases, replying to letters and poor decisions generally. The previous head of Pensions' described the scale and timing of the problem as follows: in the first year efficiency was very low, with the system nearly breaking down; by mid-1983 efficiency was tolerable; and by 1985 the department was more efficient than it had been before. It should be noted that the claim that the Pensions' department eventually became more efficient only relates to the pre-dispersal position. No explicit comparison was made between the situation at East Kilbride and what might have happened if the office had not been dispersed from London.

3.26 Overall, the sense of the interviews is that efficiency did deteriorate initially after dispersal. All the major departments transferred were affected, with Pensions, because of the nature of the work, being more seriously affected. However, almost all the heads of department interviewed felt that their departments had gained their former levels of efficiency within a few years, with the average duration of temporary output loss probably being no more than two years.

B. ACCOMMODATION

3.27 Here the principal resource **costs** resulting from the move to Abercrombie House include: furnishings and supplies, rents, rates, maintenance, and administration costs. The principal resource **savings** or **benefits** are the rents, rates, maintenance and administration costs saved in London following the dispersal.

(i) Furnishings

3.28 Using data supplied by the ODA on the cost of furnishing Abercrombie House we estimate the present value to be:

	Present Value 1981/2 £ '000s
Furnishings	£556.14

(ii) Supplies

3.29 ODA supplied us with data on the costs of minor repairs, maintenance, cleaning etc, and expenditure on local contractors for the upkeep of computer typing and word processing equipment. However, we have not included these costs in the resource cost analysis because we do not know what the outlays would have been if the office had remained in London. We therefore assume that these costs would be the same in both locations. In contrast, for major outlays on maintenance and repairs, which are contracted by the PSA and charged to the department, we do have data for both locations and so these are included in the analysis below.

(iii) Accommodation Charges and Savings

3.30 Significant differentials exist between rents and rates paid in East Kilbride and the cost of accommodation in Victoria. A simple comparison of these charges suggests that the dispersal has delivered substantial net resource savings. In view of the critical significance of rents and rates to the assessment of the departmental resource effect it is necessary to explain the rationale behind the estimation of these costs and benefits.

a) Rents

3.31 In general terms, the market rents paid in different locations reflect the opportunity costs of the use of property and land. The opportunity cost of the accommodation used for a given function, eg. government administration, will therefore be greater in locations where rents are high. Transferring the function to a location where the rents are lower will release more highly valued office space and will, other things remaining equal, produce a resource gain for the economy equal to the saving in the rent bill. To estimate the net resource saving resulting from the present dispersal we therefore need to know the market rents in the two locations and the amount of space released following the move.

3.32 Data are available from ODA on total accommodation charges for Abercrombie House from 1983/4 to 1987/8. PSA inform us that after 1983/4 charges to departments reflected full market rents and a comparison of prime

office rents per sq ft in Victoria and Glasgow suggests that this is in fact the case.[9] However, within this period no breakdown between rent, rates, maintenance and administration costs is available for 1983/4 and 1985/6 because the charges for Abercrombie were calculated and paid from Eland House and ODA have not been able to provide us with a breakdown for these years. For 1981/2 and 1982/3, data on accommodation charges are not available from ODA because PSA employed different arrangements for the allocation of charges. PSA have also been unable to provide us with data for the 'missing years'. We have, therefore, estimated the global charges for these years assuming the charges to be the same in real terms as in 83/4. The breakdown for these years, including 83/4, and for 85/6, is based on the allocation in 84/5. ODA has confirmed that these costs are for all the six floors of Abercrombie House and therefore include accommodation charges for the full complement of staff that is the 400.5 ODA staff and the 138 Crown Agents staff, at 1987 staffing levels. Since we are primarily interested in the resource effects of the ODA dispersal and because we do not include accommodation savings from the Crown Agents move to East Kilbride, it seems appropriate to adjust the above costs by the proportion of the ODA complement to the full complement at Abercrombie. The present value of the rental costs is therefore estimated to be:

	Present Value 1981/2 £ '000s
Rental charges at Abercrombie House	£5413.16

3.33 In order to estimate the gross rental savings in London we had to identify and value the space released in Victoria. The majority of the ODA's headquarters staff are currently located at Eland House. However, before dispersal staff were also housed in an Annexe at 29 Bressendon Place, SW1, which is also known as Lakeview Court. Following the dispersal, ODA vacated the Annexe in the Autumn of 1981. The gross rental savings would therefore appear to be the sum of the savings from the annexe and the space released in Eland House itself. It might be argued that to include the value of space released in Eland House as part of the gross rental saving is too extreme an assumption. The utilisation of office space may not be perfectly flexible, the space released may not be in commercially viable blocks and there may be time lags before adjustment occurs. On the

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[9] But see footnote 11 below.

other hand, it could be suggested that if spare capacity was created in Eland House but not used to accommodate extra staff, then this reflects a government decision to consume the benefit of increased office space in London through the provision of increased space for the remaining ODA staff.

3.34 We have, nevertheless, adopted conservative assumptions in estimating the gross rental savings. We assume that until 1987/8 the gross rental savings were simply those accruing from the vacation of the Annexe.[10] From 1987/8 onwards it is assumed that adjustments will have occurred at Eland House allowing the release for use of the vacated space. This assumption is reinforced by the fact that the current lease on Eland House is soon to terminate.[11] Any move to a new building after the expiry of the lease would of course free space for commercial use. The future annual gross rental savings are then estimated by taking the unit person rental costs for Eland House in 1987/8 and then applying the 1987 ODA staff complement at Abercrombie to these costs.[12] This procedure produces the following estimate of the gross rental savings:

	Present Value 1981/2 £ '000s
Gross Rental Saving	£17698.56

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[10] If, however, the use of accommodation has been totally flexible then the estimated net rent and rate savings increase in present value terms to £15.9 million and £10.6 million, respectively, compared with the £12.3 million and £7.4 million net savings reported below.

[11] The lease has now been renewed for a period up to five years. We are informed that the special circumstances surrounding ODA's abortive move to Richmond Gate have led to ODA being charged rents at a rate below the commercial rate paid by PSA. If the 1987/8 rents paid by ODA are affected by this arrangement then the estimate of net rent savings reported below will be smaller than the amounts actually saved due to the dispersal.

[12] It is therefore assumed that by 1987/8 the rents paid by the ODA reflect the staffing levels in that year. There appears to be some substance for this view since the rent paid by ODA for Eland House in that year was, in 1987/8 prices, £2.21 million compared with a 'peak' rental payment of £2.36 million in 1984/5. The PSA informs us that rental charges are eventually adjusted to reflect the occupancy rate of building.

3.35 On an annual basis, the **net rental saving** is £0.9 million per annum from 1987/8 onwards which when allowance is made for the smaller savings in the first six years after dispersal produces a net present value of £12.3 million.

3.36 Finally, it should be noted that the estimates of rental savings have made no allowance for the possibility of rents increasing in London in real terms relative to East Kilbride, which would increase the estimated savings.

b) Rates

3.37 Rate payments have been included in the resource cost analysis because they are assumed to reflect real costs to the economy. Our principal justification for adopting this position rests on the following argument.

3.38 Conventional economic theory suggests that when a factor of production such as land and property is relatively fixed in supply then the incidence of a tax such as rates will be passed on to the owner of the land and property. This capitalisation effect will result in the price paid for the use of land and property remaining unchanged. In other words rents will fall by an amount equal to the tax and so the real resource cost of land and property is correctly proxied by the sum of both rent and rates. To put this another way, if a project's demand for property is fully satisfied by a reduction in use elsewhere, rather than by an increase in supply, then the opportunity cost is the tax or rates-inclusive price.

3.39 The Treasury use this argument to justify their advice, contained in the green booklet on public investment appraisal, that rates should be included as resource costs in investment appraisals. Recent communication with the Treasury indicates that they still hold to this advice. However, while this view may be generally applicable its validity in the current study depends on the price elasticity of supply of property and land in the Victoria and East Kilbride locations. Estimates of price elasticity of supply are unavailable for the two locations. ***A priori*** one might expect that elasticity would be close to zero in central London while supply might be more elastic in East Kilbride. Casual empiricism suggests that this is probably so. Recent data[13] suggest that in Central London the supply of large units (over 50,000 sq.ft.) has been extremely

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[13] Debenham, Tewson and Chinnock, "Office Rents and Rates 1987".

limited in recent years particularly since 1985. This is despite the relative rise in rental values that has occurred in the area in recent years. Office supply in some parts of Central London is so restricted in relation to demand that informal, competitive tenders have emerged as the letting practice. In East Kilbride, on the other hand, we are not aware of any evidence of such restrictions on supply.

3.40 It might be argued, on the basis of the preceding discussion, that the full rating costs saved in Central London should be included in our analysis, but only a proportion of the East Kilbride rating bill. We have not adopted this approach. Instead we retain the practice of adopting conservative assumptions and include the full rating cost in both locations in the central case. Using the same method as we adopted for the calculation of rental charges and savings we obtain the following estimates:

	Present Value 1981/2 £ '000s
Rates bill at Abercrombie House	£ 3485.77
Gross rates saving	£10910.94

3.41 On an annual basis, the **net rates saving** is £0.6 million per annum from 1987/8 onwards which when allowance is made for the smaller savings in the first six years after dispersal produces a net present value of £7.43 million.

3.42 The above estimate of rate savings depends on the view, accepted by the Treasury, that rates will be capitalised. An alternative view is that rates should only be fully included in project appraisals if the payment represents the value of local authority services received by the organisation. However, if the capitalisation argument is accepted then it matters little whether rates do or do not reflect the value of local authority services received: the rates inclusive price of property and land will remain the same irrespective of the level of rates in any given location. What is of more significance, is the possibility that the marginal resource costs of local authority service provision could be different between locations. One view, suggested by ODA, is that the marginal resource costs could be lower in the London area than in East Kilbride. The argument that there are economies of scale in the provision of local authority services is supported by the limited evidence that is available. But the evidence does not support the contention that at the

margin such costs will be higher in East Kilbride. A summary of the evidence - see Bennett, 1980[14]- suggests that if the population in a local authority area lies between 50,000 and 300,000 the authority's per capita costs will be at or near the minimum. At population levels above 300,000, diseconomies of scale in the provision of local authority services begin to outweigh the economies achieved at lower population levels. With a population of around 80,000, East Kilbride would appear to fall within the optimum range. On the other hand, it cannot be discounted that the concentration of population and particularly economic activity in the London area may have resulted in both higher factor payments and diseconomies of scale in the provision of many services. In the absence of further evidence, it is perhaps not unreasonable to assume that differences in the marginal cost of local government provision in the two areas are likely to be small and so can safely be ignored.

c) Maintenance and Administration

3.43 The dispersal also resulted in a change in the maintenance and administration costs incurred and charged by PSA. Using the same procedure as adopted for rents and rates we estimate the charges and gross savings to be:

	Present Value 1981/2 £ '000s
Maintenance & Admin. at Abercrombie	£1241.52
Maintenance & Admin. gross savings	£2378.25

3.44 On an annual basis, the **net maintenance & admin. saving** is £0.09 million per annum from 1987/8 onwards which when allowance is made for the smaller savings in the first six years after dispersal produces a net present value of £1.14 million.

C. COMMUNICATIONS

3.45 Communications damage covers the increased cost of communication generated by the dispersed office being remote from the main centre of the department's opera-

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[14]Bennett, R J **The Geography of Public Finance** London: Methuen, 1980.

tions. These costs could include: reduced informal face-to-face contacts; increased telecommunications and postal costs; the cost and time spent travelling to meetings; and the cost imposed by meetings which now no longer take place.

(i) Informal Contacts

3.46 It has been suggested by a previous head of OMS that the loss of face-to-face contact has been particularly important for Overseas Manpower Services - both contact with colleagues in London and contact with TCOs and supplemented staff. While it is acknowledged that the effect of this on efficiency is difficult to measure, it is suggested that the loss of personal contact did make staff in PSE seem more remote and therefore perhaps less caring. The current head of OMS, also accepts that loss of informal contacts has had a greater effect on efficiency in OMS than in other transferred departments because of the necessary liaison with geographical divisions and TCOs. She did suggest that if the telecommunications facilities at Abercrombie worked properly they would provide an adequate substitute for the loss of informal and abandoned formal contacts with London but not with the TCOs. Other departmental heads at Abercrombie acknowledge the inadequacy of the telecommunications, particularly the GTN, but in general believe that the facilities go some way towards substituting for the loss of face-to-face contact.

3.47 Question (VI5) in the questionnaire asks: If your post were located in London, how many additional informal face to face contacts per month would you expect to make? Ninety five usable replies were received. On the assumption that the experience of these 95 reflects that of the 164 staff at 1987 in mobile grades we obtain the data in table 3.3.

3.48 The data in table 3.3 must be interpreted with care because it is not certain that staff currently employed at Abercrombie have a full appreciation of the extent of informal contacts that would take place if all of the ODA departments were in London.

3.49 The estimated loss of informal contact while quantified cannot be valued directly. In the light of evidence obtained from the interviews it would appear that a partial valuation may to some extent be reflected in the extra telecommunication costs.

Table 3.3 Additional (Abandoned) Informal Contacts per month

Grade	Number per month												
	0	1	3	4	5	6	7	8	10	12	15	20	30
EO	66	4	4	4				2	4	2			2
HEO	27	2		6	2	2			2	2	2	2	4
SEO	9			1		1	1			1		1	
G7			3			3			1				
G6	1												1
G5													1

(ii) Extra Telecommunications

3.50 These are estimated by ODA to be £60,000 per year at 1986/7 prices. Estimated present values in 1981/2 at 1987/8 prices are:

	Present Value 1981/2 £ '000s
Extra Telecommunications	£1021.15

(iii) Travel and Subsistence

3.51 ODA has provided us with data on the expenditure on UK fares and subsistence for the year to June 30, 1987. These expenditures exclude outlays connected with training, presumably attendance at courses etc, but may include expenditures that would have occurred even if the departments had remained in London. Nevertheless, they should provide a reasonable guide to the extra costs incurred. On the assumption that the 86/87 expenditures are not atypical the following present values are estimated:

	Present Value 1981/2 £ '000s
Fares (UK)	£1214.18
Subsistence (UK)	£ 526.54

(iv) Costs of Travel Time

3.52 Question (VI 1) in the questionnaire asks: How many meetings, per month, do you typically attend outside Abercrombie House with a) the ODA, b) other Civil Service Departments, c) other organisations? Ninety five usable replies were received, which if their experience corresponds to that of the 164 staff in mobile grades at 1987 produces the results shown in the following table:

Table 3.4 Meetings at ODA, other CSD, and other Organisations

Number per Year

Grade	0	1	2	3	4	5	6	8	10	12	24	30	36	48
EO	**79**	**2**	**2**	**2**				**2**						
	84										***2***			
	84	2												
HEO	**33**		**2**	**4**	**2**		**6**	**2**		**2**	**2**			
	51				***2***									
	45				2				2	2	2			
SEO	**8**		**1**		**1**	**1**			**3**			**1**		
	10	***1***			***3***		***1***							
	10	1	1						3					
G7			**1**		**1**					**3**	**1**			
	3	***1***	***1***				***1***							
	1		1				1			3				
G6													**1**	
	1						***1***							
	1						1							
G5														**1**
							1							

Notes: ODA meetings are in **bold** type, other CSD are in ***italic*** and other organisations in normal type.

3.53 The data in table 3.4 lead to a total of 78 meetings per year for the EOs, 256 for HEOs, 123 for SEOs, 119 for G7s, 48 for G6s, and 54 for G5s. From the interviews the average time to London is three and a half hours each way, that is seven hours in total. The total cost is therefore estimated by calculating the total hours involved in meetings for each grade then multiplying by the average hourly staff cost for each

grade taken from the 'Ready Reckoner'. This leads to the following estimate of the present value assuming all travel has an opportunity cost of working time foregone:

	Present Value 1981/2 £ '000s
Cost of Travel	£996.43

3.54 If, however, it is recognised that staff often have to travel in their leisure time and it is assumed that leisure time has a lower opportunity cost, then the cost of travel will be much reduced. From data provided by the ODA on the hours travelled in leisure time for which allowances were claimed during 1986/7, and data provided by IDS that in appraisals the value of travel during leisure time is usually taken to be £1.68 at 1987/8 prices, we can construct a cost estimate based solely on travel in working hours. For EOs working time travel is 413 hours, compared with a total time of 546 hours, for HEOs 1730 hours (1792), and for SEOs 260 hours (861). If it is also further assumed that the higher grades travel only in leisure time, which is in part supported by evidence from the interviews, then we obtain a minimum estimate of the cost of travel of £27,512 per year at 1987/8 prices, which in present value terms is:

	Present Value 1981/2 £ '000s
Cost of Travel (Minimum Estimate)	£450.44

3.55 The above calculations for the cost of travel time do not include estimates of the costs of ODA personnel at Eland House and elsewhere and others (eg. British Council, FCO, etc) travelling up to East Kilbride. This mainly concerns some heads of departments and divisions, plus those TCOs who choose to take up the option of a visit to Abercrombie House. Unfortunately, we have no data on the number of trips involved. The cost of trips by senior ODA officials to Abercrombie House, travelling largely in their own time, is, however, unlikely to be as great as the estimated minimum cost of travel for ODA officers travelling south from East Kilbride. It therefore seems not unreasonable to include as the base case the estimated cost of travel based on work time as the opportunity cost. This is more than twice the minimum estimate presented in paragraph 3.54 and so should more than cover the cost of the unquantified trips north.

(v) Cost of Abandoned Meetings

3.56 Question (VI5) in the questionnaire asks: If your post were located in London how many additional formal meetings per month would you expect to attend a) within ODA, b) with other Civil Service Departments, c) with other organisations? Ninety five usable replies were received, which if their experience corresponds to that of the 164 staff in mobile grades at 1987 produces the results shown in table 3.5.

3.57 On the assumption of a linear demand curve for meetings, we can obtain an estimate of the value of abandoned meetings for each grade[15] then compute the present values for the total value of abandoned meetings:

	Present Value 1981/2 £ '000s
Abandoned Meetings	£82.19

Table 3.5 Additional (Abandoned) Formal Meetings

	Number per Year								
	0	1	2	3	4	12	16	Total	Per cent Abandoned
Grade									
EO	84 *86* 86					2		24	24
HEO	43 *51* 47	6 2	 2				2	44	15
SEO	13 *11* 13	1 *1* 1	 1	 *1* 	 *1* 	1 	 	24	16
G7	4 *4* 4	1 *1* 1	1 *1* 					7	6
G6	 *1* 	1 	 *1* 			1 		17	26

[15]For example for EOs the estimate is [24 x 7 x 7.35 x 1.04]/2, where 24 is the number of abandoned meetings, 7 is the number of hours travel, 7.35 is the average salary cost for 1986/7, and 1.04 is the mark-up for 1987/8 prices.

1 1

1

G5 3 5

1

Note: Typestyle for ODA, other CSD, etc is the same as Table 3.4

3.58 The data in table 3.5 must be interpreted with care because it is not certain that staff currently employed at Abercrombie have a full appreciation of the number of formal meetings that would take place if all of the ODA departments were located in London.

3.59 Overall, when all the quantifiable communications effects of the dispersal are considered ie. extra telecommunications, fares, subsistence, cost of travel time (at the higher estimate) and abandoned meetings, the costs are relatively small. These costs amount to an additional £234.6 thousand per annum producing a net present value for the base case of £3.8 million.

D. EFFICIENCY AND STAFF DEPLOYMENT

3.60 The effects of the dispersal on efficiency and staff deployment are the most difficult to quantify. Our main sources of evidence on these effects are: the interviews with line managers directly associated with the dispersal, particularly past and present heads of the departments dispersed; formal representations from senior management within ODA; and some, largely inconclusive, 'objective' indicators. We noted in paragraph 3.22 that the evidence drawn from discussions with management is not 'robust' enough to enable us to draw firm conclusions on the temporary and permanent efficiency effects of dispersal. In view of the absence of a reliable yardstick to judge where the balance of efficiency lies, we simply report and assess the evidence made available to us. No final judgement on net efficiency effects is given. But, as noted in paragraph 3.21 we test for the sensitivity of the overall results to assumptions about efficiency losses in chapter six of the report.

(i) General Efficiency

3.61 In this section we examine first, whether dispersal led to more staff being required to do the same work. Secondly, we consider the question whether dispersal led to permanent differences in the quality of services provided by the dispersed departments. Ideally, both should be compared against a counterfactual of what would have been the position if dispersal had not

occurred.

a) Additional Posts

3.62 ODA has provided us with an estimate of the posts that might be saved if headquarters was currently run as a single operation. A total of 32 extra posts are identified as being necessary to administer the two locations. The posts include: 6 posts in E&OD, 2 in the Staff Training Unit, 1 in Welfare and 23 in Office Services, including 2 in Records Management and 5 in Accommodation Management. It should be noted that these posts amount to just over 8% of the staff at East Kilbride. This figure is large: it is over twice the estimate made by Hardman, but may be due to the relatively small size of the ODA dispersal. The cost of these posts has been evaluated at the basic staff costs for the years 1981/2 to 1987/8 and then expressed in 1987/8 prices. In 1987/8 these additional labour costs amounted to £371.29 thousand per year. The net present value at 1981/2 is therefore estimated to be:

	Present Value 1981/2 £ '000s
Additional Posts	£6032.41

3.63 The evidence from the interviews on the question of whether the numbers of staff in the dispersed departments are any higher than would be the case if the departments were currently located in London, is mixed. Interviews with current and past heads of the three major dispersed departments provided the following information.

3.64 The current head of OMS reported that staff numbers had not been artificially kept up and that the department had been subject to the normal efficiency reviews. The current head of Accounts reported that major efficiency raising programmes such as computerisation had been introduced and internal and external management reviews had taken place, leading to staff numbers being reduced. He was not aware of any pressure being put on reviewers either to increase or reduce posts in the department. The previous head of Pensions reported that staff inspections had not been applied less rigorously. Moreover, he believed that the department would employ less in Scotland than in London because in his view the quality of locally recruited staff was higher.

3.65 There are few objective indicators available to check these views. The difficulty of distinguishing the

dispersed situation from what would have happened if dispersal had not occurred remains an ever-present problem. In aggregate terms it appears that employment in ODA has been falling at the same rate in the two locations. However, it has been suggested by the Head of Estabishment and Organisation Department that the general pressure of work may be lower at Abercrombie House than would be the case in London. She acknowledged that this was a subjective judgement. We cannot establish whether this is in fact the case because to do so would require an in-depth study of departments at Eland House as well as Abercrombie. And even then there would be the problem that in comparing different departments one would not be comparing like with like. Work *may* be "less pressured" in East Kilbride than it would be in London. If that view is correct then less posts would be required to run the dispersed departments in London.

b) Quality of Service

3.66 The permanent effect of dispersal on the quality of service provided by the dispersed departments cannot be readily valued or quantified. It is almost impossible to separate the effects of dispersal from other major factors which have affected the operation and efficiency of ODA over the last few years. It is clear from our interviews that the efficiency of the ODA departments in both London and East Kilbride has improved over the last six years, due to: the pressures on running costs which have led to a pursuit of greater efficiency throughout the ODA; and a greater interest on the part of senior management in the civil service with management issues generally. The following interview evidence must therefore be interpreted cautiously. It was noted in paragraph 3.22 that respondents may unknowingly have found great difficulty in making before and after assessments, in sifting out dispersal-related effects from other factors, in understanding the effect of dispersal on departments other than their own, and in forming an objective view of the operations for which they were responsible. These difficulties may be all the greater during a time of rapid change in the management of the Civil Service.

3.67 Almost all current and past heads of the dispersed departments suggested that, once the transitional effects had been surmounted, efficiency in the dispersed departments had improved. There is some ambiguity in the responses as to the perceived counterfactual: whether the comparison was with the period before dispersal or with what would have been the current position in London. Typically, three reasons were offered for this outcome. First, dispersal led to the

ODA focusing on what to many had been "Cinderella" departments before that event. The morale of staff in these departments was either raised or was higher than would otherwise have been the case. Secondly, the process of dispersal led to a "thinking through" effect. The majority of each department's staff was replaced, and this led to attention being focused on the department's procedures. This was necessary because, at the very least, such procedures had to be communicated to the incoming staff. For example, the previous head of the Pensions' department suggested that this resulted in previously undetected problems being revealed and provided the impetus for their resolution. Finally, and to many of our interviewees the primary benefit from dispersal, efficiency improved because of the perceived higher quality of locally recruited staff in East Kilbride compared with the staff that would have been available in the London area.

3.68 Almost all the interviewees directly involved with the dispersed departments felt that the quality of locally recruited staff was higher at East Kilbride. These views should be approached with caution. The key issue that is relevant here is whether in the longer term the locally recruited staff in post at East Kilbride are of a higher quality than the staff that would have filled the posts in London in the absence of dispersal. Interviewees were asked the following question (see Appendix 3): Would you judge the quality and performance of staff recruited locally to be better or worse than would be the case in London? If, however, the respondents had in mind a comparison of the average quality of such staff at East Kilbride with the current quality of staff at Eland House or the quality of staff in the departments in the period before dispersal, then these are arguably invalid comparisons.

3.69 It has been put to us by ODA that the current populations in both Eland House and Abercrombie House are not representative of the average quality which might be expected in the longer term. At the time of dispersal Eland House lost a significant proportion of younger and more able staff, while Abercrombie House gained ***en bloc*** non-mobile grade staff largely composed of younger and more able new recruits. ODA take the view that to the extent that this produced an efficiency gain in the dispersed departments at Abercrombie House, the gain was short term and was balanced by a comparable short term efficiency loss at Eland House following the loss of an equivalent group of staff. It follows from this that comparisons of the current average quality at Abercrombie with either the current quality, or the pre-dispersal quality, of staff at

Eland House are inappropriate because the age structure of the staff in the two locations is different. ODA therefore take the view that an appropriate comparison can only be made when the population at Eland House has recovered from the effects of the dispersal outflow and the Abercrombie House population has stabilised and reflects a more typical age structure.

3.70 The questions at issue then are first, whether the move did or did not produce a net short-term efficiency gain due to the recruitment of new staff in the non-mobile grades; and secondly, whether in the longer term, with a more typical age structure at Abercrombie House, the average quality of staff employed will be higher.

3.71 ODA's view on the first question is that the overall effect was broadly neutral. We find this difficult to accept. Even if the younger staff employed at Abercrombie were broadly comparable in terms of qualifications and ability with their counterparts at Eland House, it seems likely that the influx of young recruits at East Kilbride did produce a net short-term efficiency gain. While undoubtedly Eland House did lose a significant proportion of its younger and more able staff to other departments following dispersal on the basis of the last-in-first-out principle - see paragraph 3.23 - at least some of the staff surplus was reduced through voluntary early retirement and natural wastage. However, if there was a net short-term efficiency gain it might not have been that great because any gain from the more favourable age structure at Abercrombie probably has to be balanced against the new staff's unfamiliarity with the nature of ODAs work. It has been suggested that this would be greater due to their distance from the "sharp end" departments.

3.72 The question whether the average quality of staff employed at Abercrombie House will be higher in the long term leading to a permanent efficiency gain, cannot be answered satisfactorily. The objective indicators available to us to assess staff quality in the two locations are: the numbers of AOs successful in the EO Open Competition; the wastage rates of AO staff at the two locations; and the educational qualifications of locally recruited staff in the two locations.

3.73 During 1986 and 1987 8 AOs from London were successful in the EO Open Competition compared with 13 from East Kilbride. These figures constitute 6% and 8%, respectively of the AO establishment in the two locations. But since we do not have data on the pass rates in the two locations the figures are not directly comparable. Although it might be argued that the numbers coming forward to take the examination may be an indicator of

the average quality of staff and so relating the successes to the complement is not entirely inappropriate. However, since these data reflect a comparison of the current populations they are unlikely to provide an indication of the long-term position.

3.74 Table 3.6 presents data on the wastage rates of AOs in the two locations. The table clearly shows that resignations are proportionally lower in East Kilbride. However, it is not clear how to interpret these data. With a slacker labour market in Scotland the opportunities for alternative employment will inevitably be lower. On the other hand, if the quality of labour employed at the margin was lower in London then it might be the case that a greater number would find the work unsatisfactory and leave on that account. It is impossible to isolate the relative supply and demand influences on these data. In addition, since the data refer to the current populations at the two locations we must conclude that the wastage data neither support nor reject the proposition of a higher average quality of locally recruited labour at East Kilbride in the long term. What these data do suggest, however, is that, other things equal, the lower rate of labour turnover at East Kilbride should be associated with lower average recruitment and training costs than in London; a saving from dispersal that has not been quantified and included in the report.

Table 3.6 AO Staff: Wastage Rates London and East Kilbride

	London		East Kilbride	
	Resignations	% Complement	Resignations	% Complement
Year				
1984	7	5	8	5
1985	11	8	4	2.5
1986	12	9	10	6
1987(to end Oct)	19	14	3	2

3.75 *A priori* it would appear that a comparison of the educational qualifications of new recruits in the two locations would provide the best guide to the likely long-term position. Table 3.7 compares the educational qualifications of AO recruits during 1986:

Table 3.7 Educational Qualifications of AO Recruits 1986

Location	No.	1st Degrees		'A' levels/ Highers		'O' levels/ 'O grades		Other	
		No.	Average	No.	Average	No.	Average	No.	Average
Eland House/ ODNRI	17	4	0.24	35	2.06	119	7.0	0	0
Abercrombie House	22	0	0	61	2.77	143	6.5	5	0.23

3.76 It should be evident that these data are not directly comparable. First, the number of recruits differs between the two locations. Secondly, differences in the educational system north and south of the border, with children finishing their secondary education on average one year earlier in Scotland, means that 'A' levels and Highers cannot be compared. Finally, there is a double-counting effect as, for example, one individual with a 1st degree carries several 'A' and 'O' levels, which again will bias the London figures upwards. These data do not therefore provide conclusive evidence on the comparative quality of new recruits in the two locations and hence the likely average quality of staff in the long term. Further information for earlier years, adjusted for the highest level of qualification to minimise the double-counting effect, would have been helpful, but these data were not readily available.

3.77 Communications damage could also lower the quality of service provided by the ODA, thus causing inefficiency. Interviews were again used in an attempt to establish the nature and scale of any effects. In addition to interviews with the heads of dispersed departments departments, ODA also arranged for us to interview staff whose duties at either location involved considerable communication with the other office.

3.78 Current heads of departments at East Kilbride generally felt that while procedures differed because of distance there was a negligible effect on efficiency. Some previous heads of departments noted that problems had arisen because of distance. In Accounts, there was the difficulty of explaining accounting procedures to staff at Eland House who had no training in accounts. Staff couldn't be sent to explain how, for example, payments were made. In the relations between Pensions and departments at Eland House, it was found that lack of direct contact often meant that staff quickly moved to fixed positions because of the need to commit their

views to paper. With informal face-to-face contact issues could be discussed without staff necessarily taking fixed positions. More contact between Pensions and finance and actuarial staff would also have been preferred. But in both these cases the implied costs are small since if they had been sufficiently important staff would have travelled more between the two locations. Other officers at East Kilbride mentioned that there was reduced contact with TCOs overseas. In addition, lack of informal face-to-face contact with staff at Eland House led to some increase in letter writing, marginal delays in contacting people and could lead to misunderstandings and perhaps a lack of rapport. But in general, officers at Abercrombie reported that the effect of communications difficulties on quality of service was negligible.

3.79 Further interviews at Eland House with staff communicating regularly with Abercrombie House indicated that communications damage was not a major source of inefficiency. Some staff mentioned that difficulties of communication tended to cause frustration. In Finance, problems were often less easy to resolve because of the lack of informal contacts; payments were sometimes delayed and occasionally special arrangements had to be made for very urgent ***ad hoc*** payments which would not be necessary if the department was not split; and problems tended to increase towards the year end when the amount of necessary contact with Finance increased. Others on the geographical desks reported that reduced contact with OMS did cause some small loss of efficiency but staff had learned to live with separation and had adjusted practices accordingly. But the ODA takes the view that the level of communications damage is largely a function of the extent to which the departments dispersed were self-contained. This is borne out by the example cited in paragraph 3.81 which suggests that significant communications/efficiency effects may occur where dispersal results in artificial separation of responsibilities.

3.80 To summarise, almost all the staff interviewed suggested that the quality of locally recruited staff is superior in East Kilbride. Detailed consideration of this question suggests that while the average quality of staff at East Kilbride may be higher than in London, either before dispersal or currently, this may be due to an age-structure effect. The influx of younger and more able staff into Abercrombie House probably has produced a small short-term net efficiency gain. However, whether this will produce a permanently favourable, or unfavourable, effect on efficiency in the longer term cannot be established from the data avai-

lable to us. The quality of service provided by the dispersed departments does appear to have improved compared with the pre-dispersal position but since then improvements in efficiency have occurred throughout the ODA. Accordingly, it cannot be established whether the quality of service has improved or deteriorated as a direct result of dispersal. Communications damage could affect the quality of service and cause inefficiency, but the evidence from the interviews with heads of departments and staff communicating regularly with the other location was that this was not a major source of inefficiency.

3.81 There is one exception to the general conclusion outlined in the previous paragraph. This concerns the Statistics department. On dispersal, the support staff for this department were moved to East Kilbride, while the professional statisticians remained at Eland House. All the evidence indicates that this has had some detrimental effects despite the best efforts of the staff in the department at both locations. The split has led to some underutilisation of the support staff in non-peak work periods. The range of work available for the support staff is probably less than it would be if the department was housed in the same location. And this in turn has led to de-motivation because support staff feel insufficiently involved - again despite the best efforts of the London management - to sustain their interest in the work. Conversely, professional staff have either had to undertake some of their own support work or on one occasion work has had to be contracted out. It seems to be clear that the quality of the jobs of both professional and support staff has been adversely affected by the decision to split the location of the Statistics department.

(ii) Staff Deployment

3.82 The switch in the location of labour demand occasioned by the dispersal has produced one major resource benefit in the form of considerable savings in the London salary weighting. On the other hand, the dispersal has led to the ODA experiencing difficulties in the deployment and career development of staff. ODA's view is that the dispersal imposed a major constraint on management's ability to deploy staff and to promote from the entire field without regard to location. For the ODA, the efficiency costs of this constraint are, if difficult to quantify, unarguably real and long term.

3.83 Savings on the London Weighting Allowance will be realised on all the posts located at Abercrombie House that would otherwise have been located in London.

However, for staff moving from London the allowance does not cease immediately following transfer but remains in payment on a mark-time basis. In addition officers who are permanently transferred on bulk move terms may be eligible to receive a cash allowance - currently £228 per annum - until they are promoted. We have therefore assumed that the saving on London weighting for this group of staff would only be realised gradually. Specifically, it is assumed that the saving on staff moving from London grows linearly until the seventh year when the full saving is realised. For the remainder of the staff, savings are realised immediately following dispersal. From 1987/8 the saving is £707.09 thousand per annum which after allowing for the smaller saving in earlier years produces the following net present value:

	Present Value 1981/2 £ '000s
London Weighting Saving	£11186.70

3.84 The ODA have argued forcefully that dispersal created major problems for the deployment of staff. The Head of Establishment and Organisation Department has suggested that the basic problem is one of structure. Specifically, the dispersal led to the following structural changes and effects:

(i) the clerical and executive base of the office was split roughly in two between Eland House and Abercrombie House. This resulted in fewer senior posts and fewer high-level promotion opportunities at Abercrombie House, but also a smaller base from which to draw suitable recruits to the higher grades at Eland House;

(ii) posts in the middle grades, HEO and SEO, were unequally divided between the two locations. The current ratio of HEO to SEO posts is roughly 4 : 1 in Eland House compared with a ratio of 2 : 1 at Abercrombie House. Accordingly, promotion opportunities within these grades are more severely limited at Eland House;

(iii) the dispersal of a small number of departments employing large numbers of clerical and executive staff limited the opportunities for staff in mobile grades at Abercrombie to gain experience of a wide variety of jobs. Conversely, the quality of jobs at the AO and EO levels is considered to be higher at Abercrombie House. Most of the casework jobs are in the Pensions Department and OMS, whereas the clerical and executive jobs at Eland House tend to be registry or departmental

support work which is in many ways less demanding.

(iv) finally, the effects of the structural imbalances caused by the split may have been, or may be, exacerbated by the average age of staff at Abercrombie being relatively low, due to the large number of junior staff recruited at one time. This means that there are fewer chances for promotion via the retirement of a current incumbent.

3.85 The first point that is worth making about the structural imbalances at Abercrombie House and Eland House is that they would pose few problems if staff were willing to move and could transfer freely between the two sites. Unfortunately, this is clearly not the case. While many staff may, for various reasons, be unwilling to move their homes, the rapid growth in the house price differential between London and elsewhere in recent years has served further to restrict movement between the two branches of the office.

3.86 Secondly, it can be suggested that the currently high transactions costs associated with migration have posed a much greater staff deployment problem for the ODA than might have arisen in other dispersals. Many of the problems appear to have arisen from the way in which the office was split. This suggests a trade-off which is more complicated than that considered by Hardman - whose proposals provided the intellectual rationale for splitting the location of the ODA - where a correct balance of posts for staff deployment is important, as well as communications costs. Indeed, the evidence of this study is that communications costs have been of much less significance than expected. Although, this seems likely to be in part a function of the particular posts dispersed.

3.87 Finally, we have been able neither to quantify nor value the effect on the efficiency and operation of the ODA of these problems of staff deployment. The problems of frustrated promotion prospects at both Eland House and Abercrombie House, the difficulty of filling the senior grades at Eland House with suitable staff, and the effect on motivation of a lack of varied work opportunities in both the mobile grades at Abercrombie and the clerical and executive grades at Eland House, have clearly produced a cost which is of major concern to the ODA. However, we have been unable to find concrete examples which would allow us to gauge the nature and the order of magnitude of the effect on efficiency. Our judgement is that due weight should be given to these costs but they are perhaps more of a problem for the future. The effect of the constraints on staff deployment will become more severe as, for

example, the average age and eligibility of staff for promotion at Abercrombie increases, and more senior staff at Eland House have to be replaced. The structural balance between the two locations will clearly be a continuing problem for ODA management.

E. Conclusions

3.88 The preceding discussion allows us to establish the following conclusions on the departmental resource effects of the dispersal:

(i) Quantifiable Effects

3.89 Table 3.8 provides a summary of the quantifiable costs and benefits of the dispersal for the base case. The table shows the following:

a) accommodation incurs both the greatest costs and savings. In present value terms, net savings of £12.3 million, £7.4 million and £1.1 million are realised on rents, rates, and maintenance/administration;

b) the transfer of posts has produced a significant saving on the London weighting of £11.2 million which outweighs the £9.6 million extra labour-related costs due to the additional permanent posts required to run the two locations (£6.0 million), the extra posts required to effect the dispersal (£0.6 million), the costs of double banking (£1.3 million); the costs of detached duty (£0.5 million) and transfer allowances paid (£1.2 million);

c) additional communication costs at £3.8 million are lower than might be expected. This is perhaps because of the self-contained nature of the blocks of work dispersed to East Kilbride;

d) initial dislocation costs at £3.7 million prove to be a significant element of the costs of dispersal with the costs of double banking and transfer payments amounting to 69% of outlays under this head;

e) with gross savings of £42.2 million and total costs of £24.3 million the dispersal realises net savings of £17.9 million.

(ii) Non-Quantifiable Effects

3.90 The main effects that it has not proved possible to quantify or value are the temporary output loss in the years immediately following dispersal and the permanent effects on efficiency affecting numbers of staff and/or

workloads, quality of service and the deployment of staff. Nevertheless, the following observations can be made:

a) evidence from interviews with previous heads of dispersed departments suggests that there were significant losses of output in the period immediately following dispersal;

b) almost all previous and current heads of dispersed departments suggested that, once the temporary effects on output had been overcome, their departments gained in efficiency after dispersal (but the basis of this judgement is unclear - see paragraph 3.22). This was attributed principally to the perceived higher quality of the locally recruited staff. ODA take the view that any identifiable effects on efficiency have been short term due to a more favourable age-structure at Abercrombie House. But in their view the loss of younger staff at Eland House produced an offsetting effect on efficiency leading to a neutral outcome. We take the view that the age-structure effect is likely to have produced a small but favourable short-run efficiency gain. The longer-run effect on efficiency and quality of service, due to recruitment in a less tight labour market, could not be established either way, although it does seem likely that recruitment and training costs will be lower;

d) communication damage could cause inefficiency but the evidence from interviews with past and present heads of the dispersed departments indicated that the effect was small. Interviews with staff in regular communication with the other location identified some difficulties but the general conclusion was that communications damage was not a major source of inefficiency;

e) operating the ODA on two sites has produced problems for internal staff deployment. Staff are reluctant to move between the sites. At East Kilbride, these problems take the form of restricted promotion prospects and a lack of variety in available posts. In London, the main problem is in recruiting more senior grades, due to the smaller base from which to draw suitable recruits at Eland House. We judge that whilst the problems of staff deployment seriously concern the ODA they are less significant at the moment but may become so in the future.

Table 3.8 Summary of Net Present Values

5% Discount Rate, 30 Year Time Horizon, 1987/8 Prices

		Present Value 1981/2 £ '000s
Costs		
1. INITIAL DISLOCATION		
Additional Staff	561.88	
Writing Manuals	84.28	
Double-Banking	1340.88	
Detached Duty	523.44	
Transfer Payments	1213.25	
Total		3723.73
2. ACCOMMODATION		
Furnishings	556.14	
Rents	5413.16	
Rates	3485.77	
PSA (Maintenance & Admin)	1241.52	
Total		10696.59
3. COMMUNICATIONS		
Extra Telecommunications	1021.15	
Fares (UK)	1214.18	
Subsistence (UK)	526.54	
Cost of Travel Time	996.43	
Abandoned Meetings	82.19	
Total		3840.49
4. EFFICIENCY AND STAFF DEPLOYMENT		
Additional Posts	6032.41	
Total		6032.41
TOTAL COSTS		24293.22

Savings

1. ACCOMMODATION

Rents	17698.56	
Rates	10910.94	
PSA (Maintenance & Admin)	2378.25	
Total		30987.75

2. STAFF

London Weighting	11186.70	
Total		11186.70
GROSS SAVINGS		42174.46
NET SAVINGS		17881.24

CHAPTER 4: IMPACT ON DISPERSED STAFF

4.1 The ODA dispersal to East Kilbride initially involved 427 posts: 156 posts in mobile and 271 in non-mobile grades. None of the mobile posts (Executive Officer and above) were directly recruited locally: 51 Civil Servants moved from ODA in London, 20 from other Government Departments in London and 85 from other Government Departments elsewhere. Posts for non-mobile grades were generally filled through direct local recruitment, but a small number were filled by transferring staff or by staff from other Government Departments. In particular 10 Administrative Officers moved from ODA London.

4.2 The costs and benefits borne by the dispersed staff and their families are identified and, where possible, quantified through the analysis of a questionnaire which was sent to all staff in mobile grades at Abercrombie House in September 1987. A separate questionnaire was sent to the spouses/partners of these staff. Copies of the questionnaires, details of their administration and some general analysis of the response are given in Appendix 1.

4.3 There were 102 replies from the 163 Civil Servants who received the questionnaire, which represents an overall response rate of 63%. Statistical tests were performed to assess the representitiveness of the respondents. In terms of age, sex and grade the respondents were not significantly different from the whole population sampled.

4.4 Of those who replied to the questionnaire, 65% had either joined the ODA at East Kilbride from some other Government Department as part of dispersal or had moved from ODA in London at the time of dispersal. We have analysed the impact of dispersal on these staff and their families. Factors explicitly dealt with are:

- Domestic Relocation Costs
- Spouses'/Partners' Labour Market Costs
- Housing Costs
- Transport Costs
- Qualitative Differences in Local Environment and Services

4.5 Three important preliminary points should be made. The first is that costs will have been borne by Civil Servants previously at Eland House who did not disperse with their posts, moving instead to other Departments in London. These are costs associated with factors such as the disruption to the individual's work pattern, changes in work content and necessary changes in travel arrangements. No attempt has been made to identify or quantify these costs.

4.6 Secondly, a large number of the posts in mobile grades at Abercrombie House were filled by Civil Servants who already lived in or close to East Kilbride. We are assuming that those employees who did not require to move house when they took up their post at dispersal bore no additional costs of the type listed above, or that there were additional benefits that more than offset these costs.

Table 4.1: Those in the questionnaire sample who took up their post at East Kilbride at dispersal, broken down by previous employment and whether they moved house

Previous Post	ODA	Other Government Department		Other	TOTALS
		London	Elsewhere		
Moved House	10	9	14	1	34
Non-mover	0	0	29	4	33
TOTALS	10	9	43	5	67

4.7 Thirdly, at dispersal around one third of posts in mobile grades were filled by ODA staff transferring from London. However, of those of our

respondents who took up their post at East Kilbride at dispersal, less than one sixth were transferring ODA staff. This is illustrated in Table 4.1.

4.8 This small number of transferring ODA staff in our sample replies is unfortunate for a number of reasons.

a) If the sample replies are representative of the proportions of staff moving from different types of previous post, 113 Civil Servants would have relocated with dispersal, of which over a half (61) would have transferred from ODA in London. These 61 are being represented by only 10 individuals in the sample.

b) Of all movers, those transferring within the ODA are most likely to find East Kilbride an unsatisfactory location. This is because these Civil Servants might be moving primarily because they wish to retain their present post, rather than because they prefer East Kilbride as a location. Further, if the low proportion of previous ODA staff in our sample replies represents a high turnover in this group, the results of the questionnaire are likely to underestimate the costs to dispersing Civil Servants.

c) If there are thought to be resource gains or losses to Civil Servants (in terms of, say, differential transport and housing costs) from changing residential location, these costs and benefits relate to where the posts come from. In this case, this means comparing London and East Kilbride. It is therefore unfortunate that previously London based ODA employees are under-represented here.

4.9 In Table 4.1, 5 people are identified as coming from outwith the Civil Service at dispersal. The 4 who did not move house were all in non-mobile grades at dispersal and had joined the ODA from the private sector. The one person who moved house was previously employed in the Metropolitan Police Civil Staff. In subsequent analysis, this person has been grouped with those from other Government Departments located in London.

Domestic Relocation Costs

4. A set of questions was asked in the questionnaire directly relating to domestic relocation costs and the proportions of these costs which were met by the Civil Service. A summary of the replies to these questions are given in Table 4.2.

4.11 These figures are difficult to interpret. The main problem is that the figure given in any category is the average for those who replied positively for that category. The number responding to each category is shown in brackets. However if someone did not respond, it does not necessarily mean that they had no expenditure in that category. They might simply have forgotten. The total that has been given is the unweighted sum of these average figures. That is to say, the total relocation cost for an individual who had expenditure in every category equal to the average for those responding for that category. This figure is almost certainly an overestimate. This seems particularly likely for the cost to transferring ODA staff, as only a third of these in our replies were selling houses in London. The rest were originally either renting or in other forms of tenure.

4.12 If weighted averages are calculated (where the figure for each category is multiplied by the proportion of people responding to that category), much lower values are derived. The figures for the total cost for ODA, other Government Departments in London and other Government Departments elsewhere are £2353, £3422 and £4782 respectively with the corresponding figures for the Civil Service contribution being £1386, £1956 and £3506. These figures imply no non-response through memory loss and are almost certainly too small.

4.13 Many of the costs of domestic relocation for those Civil Servants involved with dispersal are met by the Civil Service. However, respondents report bearing some fairly substantial costs themselves. For example, for all three groups identified in Table 4.2, the cost of the bridging loan and furniture and fittings were not fully met by the Civil Service. On the other hand there might be offsetting effects in categories where payment from the Civil Service was greater than the actual amount the Civil Servant spent.

Table 4.2: Average relocation cost, broken down by category of expenditure, for those in the sample relocating with the dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Temporary	608 (4)	513 (3)	2015 (6)
Accommodation	196 (4)	613 (3)	2007 (6)
Solicitor's	570 (5)	1221 (5)	1428 (9)
Fees	570 (5)	1221 (5)	1428 (9)
Estate Agent's	350 (1)	749 (4)	881 (5)
Fees	0 (1)	749 (4)	881 (5)
Surveyor's	130 (2)	124 (5)	744 (5)
Fees	130 (2)	124 (5)	744 (5)
Bridging	810 (2)	3450 (3)	2594 (5)
Loan	146 (1)	261 (3)	324 (4)
Removal	596 (8)	977 (5)	600 (10)
Expenses	596 (8)	477 (5)	658 (9)
Furniture &	3333 (3)	1067 (6)	1411 (7)
Fittings	1333 (3)	750 (5)	776 (5)
Preliminary	416 (3)	441 (3)	719 (7)
Visits	350 (3)	361 (3)	710 (7)
TOTAL	6813 (10)	8542 (10)	10392 (14)
	3321	4556	7528

Notes for Table 4.2

For each category the upper figure is the average total cost given by those answering: the lower is the average amount met by the Civil Service. The figure in brackets is the number of replies in that category. The total figure is simply the unweighted sum of the totals for the separate categories where again the upper figure is the sum of average total costs and the lower figure is the sum of the average Civil Service contribution.

Sp[redacted]s'/Partners' Labour Market Costs

4.14 Dispersal might affect the household income of a relocating Civil Servant through changes in the income of his/her spouse or partner. Such income changes can take two forms. First, there might be a temporary fall in household income as the spouse/partner searches for a job in the new location. Second, the wage that the spouse/partner is paid in East Kilbride might differ from his/her wage in the previous location.

4.15 Costs of temporary involuntary unemployment were a problem for a small number of the respondents, with, in some cases, the spouse/partner taking over a year to find a job. If the questionnaire responses are grossed up we estimate that 28 families moving from London and 14 from elsewhere have suffered labour market dislocation costs. The average loss of income is £5,250 for those moving from London and £3,250 for those moving from elsewhere. It is perhaps prudent to note that these estimates are particularly tentative: the number of respondents is small, both in absolute size and as a proportion of the total mobile families at dispersal.

4.16 The labour market position of spouses/partners seems on average to be about the same as in their previous location. One respondent said that she was having to work full-time now in order to achieve the same income that she had previously received for part-time work in London. On the other hand, two spouses/partners had been unemployed in their previous locations and had been able to find employment in East Kilbride and were therefore better off because of dispersal. Additionally, there appears to be no difference in the quality of work available at East Kilbride as compared to the respondents' previous locations.

Housing Costs

4.17 It would be expected that one of the major effects on dispersing staff would be differences in house prices between East Kilbride and the individual's original location. Housing costs typically make up a large proportion of household expenditure and house prices do vary between the

different regions of the UK. Data for 1981 (Regional Trends, 1983) suggest that house prices in Scotland were 5% below the UK average of £24188 whereas house prices in the South East 25% above the UK average. Again, more spatially disaggregated information for Scotland for 1986 (Nationwide Building Society, 1986) gives average house prices in East Kilbride and Glasgow as respectively 24% and 7% below the Scottish average. Civil Servants moving from London in 1981 sold their houses at an average price of £33,000. They could expect to buy a comparable house in Glasgow for £24,000 thereby benefiting substantially from reduced housing costs.

4.18 However, these effects are difficult to identify accurately. There are two main reasons for this. First, when Civil Servants have moved to East Kilbride, they have rarely chosen a similar house to the one that they have recently vacated. Sometimes there are changes in tenure type: a number of the respondents used the move to shift into owner-occupation. Often the nature and size of the house differs and there is a evidence of individuals trading up in the housing market. In comparing housing costs before and after the move, one is rarely comparing like with like.

4.19 The second problem concerns capital gains on housing. House prices have been rising rapidly in London and the South East in the recent past. The Halifax Building Society's Regional Standardised Index of House Prices, which has a value of 100 for all regions in 1983, has the following values for the third quarter of 1987: Greater London, 205.3, South East, 184.6 and Scotland, 129.0. When house prices rise, this does not affect the cost of housing to a current mortgage holder. However, it does increase the householder's wealth, in that the price of an asset that is owned or part-owned has increased. Moreover, at present such capital gains are not taxed. Home-owning Civil Servants moving from London to East Kilbride in the early 1980s have foregone this differential capital gain.

4.20 Table 4.3 covers those respondents who were owner-occupiers in their previous location and who, at dispersal, sold their house and bought in East Kilbride. The table gives the average buying and selling price and also the present and previous mortgage. Almost all the respondents purchased in 1981, but the year of sale had more variation. Two-thirds of

a[redacted]espondents sold their previous house in 1981, but 2 sold in 1980, 3 in 1982 and 2 in 1983. For all groups, the average buying price exceeds the average selling price and the average mortgage is increased. Of all the respondents, only 2 paid less for their house than the price they received for selling their old one, and all respondents took on a larger mortgage. However, as indicated earlier, the interpretation of these figures needs care, and the results from each of these groups will be analysed in a little more detail.

Table 4.3: Average selling and purchase price and previous and present mortgage for home-owning respondents moving to East Kilbride with dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Selling price of previous home	30667	34412	35060
Price of present home	31250	39250	40500
Previous mortgage	9000	12712	10948
Present mortgage	16333	20437	18132
Number of movers	3	8	10

4.21 If respondents transferring with the ODA from London are considered first, the most striking fact is that most were not owner-occupiers in London, but all but one became owner-occupiers in East Kilbride. Again, there are clear quality differences between the houses individuals left in London against the ones that they moved into in East Kilbride. In London the most common type of house had been terraced, with no respondent living in a detached house. In East Kilbride, the most common type of house was semi-detached, with over 20% of respondents living in detached houses. Also the average number of bedrooms increased from 2 in London to 3 in East Kilbride.

4. The same kind of comments apply to those who moved from other Government Departments in London. One difference is that in this case, almost all of these respondents were previously owner-occupiers, and all bought houses on their move to East Kilbride. In London the most common type of house had been terraced and the average number of bedrooms was 2.4: in East Kilbride, 80% of respondents were in detached or semi-detached houses, and the average number of bedrooms was 3.3.

4.23 For those who moved from Government Departments outwith London, the position is somewhat different. Although there is again a move towards owner occupation, the apparent increase in the quality of housing observed for the two groups of Civil Servants moving from London is not identified here. The pattern of house type and number of bedrooms is almost identical in the two locations, despite the fact that East Kilbride house prices were higher.

4.24 From nationally produced house price figures, one would expect gains in lower housing costs for Civil Servants moving to East Kilbride. However, these reduced costs appear to have been swamped by owner-occupiers trading up in the housing market on the relocation and purchasing housing of increased quality.

4.25 House prices in Greater London and the rest of the South East have been rising rapidly since 1983. Combining the indices of regional house price changes given in Regional Trends and those produced by the Halifax Building Society, a rough estimate for the average capital gain forgone by those selling a house in London and buying a house in East Kilbride at dispersal can be obtained. The figure is calculated in the following way. The estimated capital gain on the house purchased at East Kilbride is subtracted from the capital gain that would have been expected on the house sold in London. For the house price inflation at East Kilbride and in London, the Scottish and Greater London figures are used respectively.

4.26 The average figure for forgone capital gains for each Civil Servant selling a house in London to buy one in East Kilbride is, up to the third quarter of 1987, £27,300. Two important points must be made about this.

Fi[redacted] this forgone capital gain is generated by inter-regional differences in house price inflation: it is not a function of inter-regional differences in house price levels. It is so large because of the exceptional house price inflation in the South East in the very recent past. Secondly, this lost capital gain is a distributional matter. It is a forgone windfall gain for the dispersing Civil Servants, but is clearly not a cost to the economy as a whole.

4.27 A final cost related to housing which is likely to vary inter-regionally is rates. Table 4.4 gives the rates bill for the last year at the respondent's previous location and his/her first year at East Kilbride. The rates are substantially higher in East Kilbride, particularly for those moving from other Government Departments outwith London. Part of the increase might be due to an increase in size of house at East Kilbride. However, a qualitative question as to the general level of rates, as against the previous location, elicited the response that previous London ODA employees found them about comparable, but Civil Servants from other Government Departments generally found them higher.

Table 4.4: Annual rates bill at previous location and in the first year at East Kilbride for respondents moving to East Kilbride with dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Previous location	484	330	390
East Kilbride	504	457	548
Number of responses	6	10	13

Commuting Costs

4.28 Staff moving with dispersal will generally face different commuting costs in their new location. This will be particularly the case for staff moving from London where commuting costs and travel to work times are, in

general, particularly high. The questionnaire responses gave estimates of travel costs in East Kilbride and the previous locations as listed in Table 4.5.

Table 4.5: The average commuting costs in East Kilbride and the respondents' previous location for staff moving to Abercrombie House at dispersal (£s)

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Location			
East Kilbride	5.00	6.00	5.36
Respondents Previous Location	5.90	11.33	8.77
Number of respondents	10	9	14

4.29 As can be seen, average commuting costs at East Kilbride are lower for all groups, although caution must be shown as the number in all these groups is small. It must be remembered too that what is being compared is present travel costs in East Kilbride as against 1981 travel costs in the respondent's previous location. No attempt has been made to adjust these figures for inflation, so that they will tend to underestimate the real saving in commuting costs in East Kilbride.

4.30 A question was also asked concerning travel to work times. Here replies are broken down by location of previous post and present grade. Although again individual figures in Table 4.6 should be treated with caution, the overall picture is very clear. Average travel to work time for respondents is much lower in East Kilbride than it had been in the ODA and other Government Departments in London. For the first two columns, the figures in the upper half of the table are in general much smaller than those in the lower half. For other Government Departments elsewhere the position is less clear cut. However, even here on balance East Kilbride

ha[redacted]ower travel to work time as the preponderance of respondents are in lower grades.

Table 4.6 Average travel to work time (minutes) broken down by previous location and present grade for staff moving to Abercrombie House at dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Location and Present Grade			
East Kilbride			
EO	15	10	18
HEO	21	10	15
SEO	25	20	18
Principal	-	22	20
Previous Location			
EO	60	45	30
HEO	39	40	50
SEO	15	66	34
Principal	-	80	17
Number of Respondents	10	10	14

4.31 A final question on commuting concerned qualitative aspects of the journey: whether the respondent found the journey more or less pleasant than in their previous location. Just under 90% of the respondents previously located in London found the journey in East Kilbride more pleasant. For respondents previously located outside London the position was more varied: 54% found the commuting more pleasant in East Kilbride, 23% about the same and 23% less pleasant.

Local Environment and Services

4.32 The last aspect of dispersal which we shall consider for relocating Civil Servants is their relative evaluation of local services in East Kilbride. Respondents were asked to classify various local services as

be[redacted] much better, better, the same, worse or much worse than at their previous location. The average responses are given in Table 4.7 where the replies were coded as 1 for much better through to 5 for much worse. On this scale, an average score of less than 3 means that East Kilbride is being evaluated more favourably than the previous location.

Table 4.7: The relative evaluation of local service provision in East Kilbride as set against the respondents previous location for staff moving to Abercrombie House at the time of dispersal*

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Local Services			
Public transport provision	3.60	3.70	3.36
Quality of education	2.87	2.50	2.70
Health service provision	2.60	2.20	3.14
Social services for young and old	2.56	2.70	2.67
Sports & leisure centres	2.30	2.10	2.36
Policing	3.00	2.89	3.07
Libraries	3.20	2.60	2.93
Other social and cultural facilities	3.30	2.89	2.71
Number of Responses	10	10	14

* Respondents replies were coded on a scale 1 to 5, where 1 represents much better (in East Kilbride) and 5 represents much worse. Therefore a value of below 3 is a relatively favourable evaluation for East Kilbride.

4.33 Clearly, whilst public transport provision is regarded as worse than at the respondents previous location, other services are generally regarded more favourably. This is particularly the case for respondents who came from other Government Departments in London. The general view that is taken of the local environment can be determined from the replies to the question where respondents are asked to evaluate the quality of life in general in East Kilbride as measured against their previous location. The answers to this question are given in Table 4.8.

4.[redacted]t is clear that in all groups the balance of opinion is that the general quality of life is higher in East Kilbride than in the respondents previous location. However, again there do appear to be differences amongst the different groups of migrant Civil Servants. In particular, those who moved from other Government Departments in London have a clearly favourable attitude to East Kilbride, whilst those who moved from the ODA in London have a much more ambivalent attitude.

Table 4.8 Evaluation of the quality of life in general in East Kilbride as measured against previous location for those respondents moving to Abercrombie House with the dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Evaluation			
Much better	2	4	4
Better	3	5	1
Same	1	0	8
Worse	4	0	1

4.35 Civil Servants' partners moving to East Kilbride were given a separate questionnaire in which they were also asked to make a comparative evaluation of local service provision and the general quality of life in East Kilbride. Their evaluation was, in aggregate, very close to that of their partners. In particular, none considered the quality of life lower in East Kilbride than in their previous location. A detailed analysis of the partners' responses is given in Appendix 4.

4.36 As a final indication of the evaluation by mobile staff of dispersal we asked what would be the respondent's preferences between East Kilbride and Londonwhether if their job were available in London. The answers are given in Table 4.9.

4.37 It is clear that for those joining the ODA at Abercrombie House at dispersal, there is a strong preference for East Kilbride as against

London. This preference is even stronger for the spouses/partners. Again preference in favour of East Kilbride seems weakest for staff transfered from the ODA in London: it is strongest for staff employed initially by other Government Departments in the West of Scotland who did not have to move house to take up their post at East Kilbride.

Table 4.9: Preferences of Civil Servants joining the ODA at East Kilbride at dispersal between East Kilbride and London

Previous Post	ODA	Other Government Department	
		London	Elsewhere*
Preferences			
Strong preference for East Kilbride	6	5	32 (8)
Preference for East Kilbride	0	4	8 (2)
No particular preference	1	0	2 (1)
Preference for London	1	1	1 (1)
Strong preference for London	2	0	1 (1)

* The figures in brackets are the responses from Civil Servants in other Government Departments who moved house when joining the ODA at East Kilbride.

4.38 These results suggest that the dispersing staff have benefitted from the ODA's move to East Kilbride. However, it could be argued that these results are unsubstantial. Civil Servants relocated voluntarily implying that those who are at East Kilbride are there by choice. It is therefore not surprising that on the whole they express a strong preference for East Kilbride as a location. However two important points should be made.

4.39 First, there is clearly a benefit to workers being allowed to work in a location which they prefer. In so far as dispersal brings the spatial distribution of Civil Service employment closer to the existing

distribution of population, locational preferences are more likely to be better satisfied. In moving to East Kilbride, many are moving to a location closer to their family. When we asked the question whether the respondent had more or less frequent contact with his/her wider family because of the move, almost twice as many said contact was increased than those who said contact was reduced.

4.40 Second, the fact that so few ODA Civil Servants in mobile grades moved with the post did create significant costs for the dispersal in terms of double banking, detached duty, reduced initial efficiency and other training costs. These have been identified as costs to the ODA. It is therefore important that the benefits of voluntary dispersal, in the form of Civil Servants locational preferences being satisfied, should be recognised too.

CHAPTER 5: IMPACT OF ODA DISPERSAL ON THE LOCAL ECONOMY

5.1 The impact of ODA dispersal on the local economy has been determined using an augmented Keynesian multiplier model. This is a conventional demand driven model with no assumed supply constraints. It is augmented in the sense that it incorporates certain effects often ignored in the conventional Keynesian approach. These effects are the increase in local authority employment generated by any increase in local population and the increase in construction activity in the long run as a result of increased local economic activity. The specific model and parameter estimates are outlined in Appendix 2. The analysis is based on the models presented in Ashcroft and Swales (1982) and Nairn and Swales (1987).

5.2 Four impact estimates have been made. In all these estimates the injection is the income generated from Civil Service employment at Abercrombie House in July 1987 and all money values are in 1987 prices. The estimates give the short and long run effects on the East Kilbride and Strathclyde Regional economies: they are listed in Table 5.1.

5.3 Perhaps the most useful estimates to concentrate on are those for the short-run impact on the economy of the Strathclyde Region. Here the original 381 Civil Service jobs generate an additional 55 jobs in local services through increased consumer expenditure. Therefore total employment rises by 436 with an associated increase in local GDP of £3.4 million. A small amount of this income leaves the region as distributed profit so that retained regional income rises by £3.3 million.

5.4 From a policy point of view, local recruitment is the key variable. This is the additional employment achieved by local residents as a direct or indirect result of the Civil Service dispersal. It does not include additional jobs taken by the Civil Servants or their spouses/partners who move into the region. Nor does it include those additional jobs taken by commuters living outwith the region. In 1987, 69 of the Civil Servants working at Abercrombie House had moved into the region to take up the job, and 35 had spouses/partners who were employed in the region. The increase

in local recruitment is therefore 332. The comparable figure for East Kilbride is 219.

5.5 The economic impact is larger in absolute terms on Strathclyde Region than East Kilbride and the long run effects are greater than short run effects. The main reasons for these differences are set out in Appendix 2. Briefly, the impact on Strathclyde is greater because many who work in East Kilbride do not live there. The expenditure of these commuters takes place mainly outwith East Kilbride and therefore generates little additional employment there. The long run effect is greater than the short run effect because the impact on local authority employment and replacement construction is assumed to occur solely in the long run.

Table 5.1 Impact of the ODA Dispersal on the East Kilbride and Strathclyde Region's Economies

	East Kilbride		Strathclyde	
	Short Run	Long Run	Short Run	Long Run
Initial Employment Injection				
Mobile CS Grades	164	164	164	164
Non-mobile CS Grades	217	217	217	217
Induced Employment Effects				
Male FT Services	14	17	25	31
Female FT Services	8	9	13	16
Female PT Services	10	12	17	21
Local Authority	0	12	0	20
Construction	0	13	0	14
Total Employment	413	444	436	482
Local GDP	3184.5	3568.1	3418.4	3969.5
Retained Local Income	1925.9	2157.3	3290.7	3756.4
Local Recruitment	219	243	332	381
Employment Multiplier	1.08	1.17	1.14	1.27
Local Employment Multiplier	.53	.64	.87	1.00
Output Multiplier	1.11	1.25	1.19	1.38

* Money values are expressed in £,000s at 1987 prices.

5.6 The employment multipliers derived here are substantially lower than those produced in Ashcroft and Swales (1982) for the local multiplier impacts of the proposed dispersals of the MOD and the PSA to Cardiff and Cleveland. The main reasons for this relate to the nature of the Civil Service posts dispersed and the assumptions made concerning the degree of migration that this would involve.

5.7 In our earlier work, the proposed dispersals involved a greater proportion of mobile posts than the ODA dispersal to East Kilbride. In the ODA dispersal 43% of posts are in mobile grades, as against 50% and 60% respectively in the MOD and PSA dispersals. This means that the average incomes of the dispersed Civil Servants will be relatively lower in the ODA move, which reduces the additional employment from increased local consumption expenditure. A second characteristic of mobile grades is that a significant proportion are filled by migrants to the local area. Migrants have a bigger effect on the local economy because their expenditure impacts are larger and they have an effect on local authority employment through increased population. The employment estimates in our earlier work are further inflated by the assumption that was made there that all mobile posts would be filled by migrants.

5.8 However, if local recruitment is considered, the Strathclyde Region estimates are much closer to those for Cardiff and Cleveland. This is particularly the case given that the Strathclyde figures do not include employment taken by the partners/spouses of the dispersing Civil Servants, which was an effect not considered in our previous work. The value for the long run Strathclyde local employment multiplier (at 1.00) is only slightly below the PSA figure (1.09) and close to the MOD estimate of 1.14. To a certain extent, the low value of the employment multiplier is being offset by a high proportion of posts being locally recruited.

5.9 It must be emphasized that this increase in local income and employment, whilst significant for the recipient region, does not represent an increase in economic activity for the economy as a whole. There will be negative

impact effects on the donor region (in this case London and the South East), so that the overall effect on the national economy is neutral.

Chapter 6 The Costs and Benefits of the Dispersal

6.1 This chapter examines the overall resource costs and benefits of the dispersal within the framework of a cost-benefit analysis. Dispersal can be most usefully thought of as an investment where typically initial costs, such as dislocation costs to the Government department and dispersing Civil Servants, are associated with future savings, such as lower rentals. In order to make these costs and benefits commensurate, they are expressed in fixed (1987/88) prices and discounted back to a particular date (1981/82). This has the implication that costs and benefits which occur in the future are less highly valued than the same costs and benefits occurring today.

6.2 In this study most of the major costs and benefits can be identified but several key effects can neither be quantified nor valued. The first part of the chapter identifies the relevant groups and notes that only the quantifiable departmental resource effects can be included within the framework of traditional cost benefit analysis. In the second part, the results for the base run calculation on the quantifiable effects are briefly discussed. Thirdly, we examine the sensitivity of these effects to changing assumptions: the effects of changes in the time horizon and discount rates; and different future employment scenarios. Finally, we consider the overall impact of the dispersal in the light of the non-quantifiable effects.

A. The Relevant Groups.

6.3 The earlier chapters of this report have presented a breakdown of the consequences of the dispersal for the affected groups: the ODA itself; the transferred staff and their families; and the economies of East Kilbride and Strathclyde. Not all the groups affected are included in the overall cost benefit analysis. Taking account of current government policy we assume that the diversion of labour demand between regions produces no permanent net employment effect for the UK economy. The shadow wage is generally taken to be equal to the market wage. This has not always been the government's policy stance. At the time of the dispersal programme shadow wages, or estimated net employment effects, were incorporated into appraisals.[1] It is arguable that an

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[1] See for example the Civil Service Department Memorandum to the Scottish Select Committee on Office Dispersal in 1981.

ex post evaluation should use the approach to appraisal that was adopted at the time. Work by independent researchers has produced estimates indicating that the net employment effect of dispersal can be substantial.[2] It therefore seems reasonable to assume that the inclusion of an estimated net employment effect in the present study would raise the quantified benefits significantly. Nevertheless, we ignore any net national employment effects so the impact on employment in the origin and destination regions is not included in the estimate of overall effects. It should be noted, however, that the exclusion of the spatial effects of dispersal from the CBA also assumes that these effects are being given equal weight.

6.4 For the transferred staff and their families the effect of dispersal has been largely to produce psychic costs and advantages. These are important but most, although not all, are difficult to quantify. Accordingly, we bring the effects on the transferred staff into the analysis when we consider the significance of the non-quantifiable costs and benefits in the final part of the chapter.

B. The Base Run Calculation

6.5 The base run calculation is an evaluation over a period of thirty years, with a real discount rate of 5% and with employment at East Kilbride constant at its 1987 level. The results for the departmental resource effect were summarised in Table 3.8 and are included in Table 6.1a.

6.6 In the base run, the main costs of dispersal are, in descending order of importance: additional administrative posts, £6.0 million; additional communication costs, £3.8 million; and dislocation costs of £3.7 million.

6.7 The main benefits are: net savings in rents, £12.3 million, the saving on the London weighting, £11.2 million; net savings in rates, £7.4 million; and net savings in PSA maintenance and administration costs.

6.8 The net present value of the dispersal (NPV) is £17.9 million and with the given time profile of costs and savings, the dispersal breaks even in the financial year 1986/7.

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[2]See for example B. Ashcroft and J. K. Swales "Estimating the effects of government office dispersal" **Regional Science and Urban Economics**, 12, 1, (1982) pp 81-98.

Sensitivity Analysis

(i) Time Horizons and Discount Rates

6.9 Tables 6.1, 6.2 and 6.3 present the estimated net present values at 1981/2 - the year of dispersal - for the departmental resource effect over four different time horizons: 6 years to 1987/8; 30 years; 50 years; and infinity, and for three different test discount rates: 5%, 7% and 10%.

6.10 Several conclusions can be drawn from these tables:

(i) the estimated net saving is positive for all discount rates and all time horizons except for 6 years at 10%. The net saving ranges from a maximum of £25.6 million @ 5% to infinity, to a minimum of -£0.3 million @ 10% after six years;

(ii) the largest gross saving results from the rents saved in London and these range from a maximum of £23.6 million @ 5% to infinity, to a minimum of £3.8 million @ 10% after six years. Net savings in rents range from a maximum of £16.5 million, to a minimum of £2.5 million. The saving in the London weighting ranges from a maximum of £14.5 million to a minimum of £3.4 million. The net rates saving ranges from £10.1 million to £1.3 million, while net savings in maintenance and administration vary from £1.5 million to £0.2 million;

(iii) the largest cost results from the additional posts required to administer the two locations. These range from £7.8 million to £1.95 million and exceed the rental costs of Abercrombie but not the combined rent and rates payments. Additional communication costs range from £4.9 million to £1.3 million. Dislocation costs range from £3.9 million at 10% to £3.7 million at 5%, reflecting the effect of compounding at a higher rate for costs incurred prior to dispersal. As might be expected, when the shorter period of six years is considered, initial dislocation costs dominate.

6.11 The results in tables 6.1 to 6.3 therefore clearly show the importance of net accommodation savings and savings on the London weighting, the importance of dislocation costs for the first six years, the high cost of additional administrative posts, and the lesser importance of communication costs compared with the received view of the effects of dispersal.

TABLE 6.1 NPVs @ 5%: 4 Time Horizons

	NPV @ 81/2 @ 5%			
C[redacted]S	6 years	30 years	50 years	Infinity
a) INITIAL DISLOCATION				
Additional Staff	561.88	561.88	561.88	561.88
Writing Manuals	84.28	84.28	84.28	84.28
Double-banking	1340.88	1340.88	1340.88	1340.88
Detached duty	523.44	523.44	523.44	523.44
Transfer payments	1213.25	1213.25	1213.25	1213.25
b) ACCOMMODATION				
Furnishings	556.14	556.14	556.14	556.14
Rents	1612.64	5413.16	6477.44	7121.18
Rates	1128.08	3485.77	4146.01	4545.35
PSA (Mtce & Admin)	474.75	1241.52	1456.24	1586.12
c) COMMUNICATIONS				
Extra Telecom.	378.94	1021.15	1200.99	1309.77
Fares (UK)	450.57	1214.18	1428.02	1557.36
Subsistence (UK)	195.39	526.54	619.27	675.36
Cost of Travel Time	369.77	996.43	1171.92	1278.06
Abandoned Meetings	30.50	82.19	96.66	105.42
d) EFFICIENCY & STAFF DEPLOYMENT				
Additional Posts	2209.34	6032.41	7103.02	7750.57
TOTAL COSTS	11129.86	24293.22	27979.45	30209.07
SAVINGS				
a) ACCOMMODATION				
Rents (London)	4461.87	17698.56	21405.32	23647.37
Rates (London)	2685.79	10910.94	13214.29	14607.47
PSA (Mtce & Admin)	730.36	2378.25	2839.73	3118.85
b) STAFF				
London Weighting	3885.38	11186.70	13231.35	14468.05
TOTAL SAVINGS	11763.39	42174.46	50690.68	55841.74
NET SAVINGS	633.53	17881.24	22711.23	25632.67

TABLE 6.2 NPVs @ 7%: 4 Time Horizons

COSTS	NPV @ 81/2% @ 7%			
	6 years	30 years	50 years	Infinity
a) INITIAL DISLOCATION				
Additional Staff	602.74	602.74	602.74	602.74
Writing Manuals	85.89	85.89	85.89	85.89
Double-banking	1366.42	1366.42	1366.42	1366.42
Detached duty	533.41	533.41	533.41	533.41
Transfer payments	1213.25	1213.25	1213.25	1213.25
b) ACCOMMODATION				
Furnishings	556.14	556.14	556.14	556.14
Rents	1521.90	4342.73	4856.41	5035.41
Rates	1067.77	2817.70	3136.37	3247.41
PSA (Mtce & Admin)	451.60	1020.71	1124.35	1160.46
c) COMMUNICATIONS				
Extra Telecom.	359.66	836.32	923.12	953.37
Fares (UK)	427.65	994.41	1097.62	1133.59
Subsistence (UK)	185.45	431.23	475.99	491.59
Cost of Travel Time	350.95	816.07	900.77	930.29
Abandoned Meetings	28.95	67.31	74.30	76.73
d) EFFICIENCY & STAFF DEPLOYMENT				
Additional Posts	2096.21	4933.79	5450.51	5630.57
TOTAL COSTS	10847.98	20618.14	22397.29	23017.27
SAVINGS				
a) ACCOMMODATION				
Rents (London)	4197.71	14022.30	15811.36	16434.80
Rates (London)	2522.25	8627.16	9738.86	10126.26
PSA (Mtce & Admin)	689.89	1913.00	2135.73	2213.34
b) STAFF				
London Weighting	3678.27	9097.49	10084.34	10428.22
TOTAL SAVINGS	11088.12	33659.95	37770.29	39202.63
NET SAVINGS	240.15	13041.81	15373.00	16185.35

TABLE 6.3 NPVs @ 10%: 4 Time Horizons

[illegible]TS	NPV @ 81/2 @ 10% 6 years	30 years	50 years	Infinity
a) INITIAL DISLOCATION				
Additional Staff	669.04	669.04	669.04	669.04
Writing Manuals	88.30	88.30	88.30	88.30
Double-banking	1404.73	1404.73	1404.73	1404.73
Detached duty	548.36	548.36	548.36	548.36
Transfer payments	1213.25	1213.25	1213.25	1213.25
b) ACCOMMODATION				
Furnishings	556.14	556.14	556.14	556.14
Rents	1402.02	3273.96	3454.04	3485.48
Rates	987.87	2149.14	2260.86	2280.36
PSA (Mtce & Admin)	420.75	798.42	834.75	841.09
c) COMMUNICATIONS				
Extra Telecom.	334.01	650.33	680.76	686.07
Fares (UK)	397.15	773.26	809.44	815.76
Subsistence (UK)	172.23	335.33	351.02	353.76
Cost of Travel Time	325.92	634.58	664.28	669.46
Abandoned Meetings	26.88	52.34	54.79	55.22
d) EFFICIENCY & STAFF DEPLOYMENT				
Additional Posts	1945.74	3828.79	4009.95	4041.58
TOTAL COSTS	10492.39	16975.98	17599.71	17708.61
SAVINGS				
a) ACCOMMODATION				
Rents (London)	3848.99	10368.71	10995.91	11105.42
Rates (London)	2306.54	6357.82	6747.56	6815.61
PSA (Mtce & Admin)	636.23	1447.90	1525.98	1539.62
b) STAFF				
London Weighting	3403.24	6999.50	7345.46	7405.87
TOTAL SAVINGS	10195.00	25173.93	26614.92	25866.52
NET SAVINGS	-297.38	8197.95	9015.22	9157.91

(ii) Future Employment Scenarios

6.12 The employment in any organisation is unlikely to remain static. In the ODA, departments might expand, or new work could be transferred from London. Conversely, the work undertaken by a department might change or for various reasons it could diminish. It therefore seems reasonable to consider what the effects would be of an expansion or contraction of employment in the future.

6.13 We assume that if the level of employment at Abercrombie House changes in the future it will do so for reasons unrelated to dispersal. In other words, it is assumed that the employment change would have occurred irrespective of location.

6.14 The effects of employment change on the net savings realised by the dispersal will depend on several factors: the extent to which the costs and savings incurred following dispersal are sensitive to the change; the form in which the change occurs, particularly the division between mobile and non-mobile grades; and finally, the timing of the change.

6.15 So, in simulating the effects of a future change in employment we make the following assumptions:

(i) initial dislocation costs, costs of furnishing and the number of additional posts necessary to administer the two locations are insensitive to changing levels of employment. Conversely, Abercrombie House rents, rates and maintenance payments are assumed to be sensitive to the change, on the assumption - see below - that the change occurs in blocks that are large enough for a commercially viable amount of space to be released. Communication costs are taken to be sensitive to change but will depend on the form in which the employment change occurs - see below. Accommodation savings, and the London weighting are taken to be sensitive to change because our standard of comparison is with what would have occurred if the changes had happened in London;

(ii) the form of the increases in employment is assumed to occur in either of two ways: by the the maintenance of the current mix of mobile to non-mobile grades; or the increase is concentrated solely amongst the non-mobile grades via local recruitment. The decrease in employment, on the other hand, is assumed only to reflect the current mix of mobile and non-mobile grades;

(iii) the timing of the change is assumed to occur

as follows: a thirty per cent change in the 1987/8 levels of employment occurs in three stages, 10% in 1990/91, 10% in 2000/01, and 10% in 2010/11. The evaluation ends in 2010/11, a time horizon of 29 years.

6.16 Table 6.4 presents the results of these simulations. The results are largely as might be expected given the above assumptions. For the increase in employment assuming a proportionate rise in mobile and non-mobile grade, Table 6.4a, the net savings rise from £17.9 million in the base case of 5% and 30% at current employment levels, to £20.3 million. At 7% and 30 years the NPV of the net savings increases from £13.0 million to £14.7 million. These gains arise because at the current employment mix there are net savings for each post located at Abercrombie House.

6.17 When employment is expanded solely through local recruitment, Table 6.4b, the net savings increase further to £20.5 million at 5% and £14.8 million at 7%. The reason for the further increase is that it is assumed that the non-mobile grades recruited locally will not incur extra costs of travel time, fares, subsistence and abandoned meetings. It is nevertheless assumed that extra telecommunications costs would be incurred on a pro-rata basis.

6.18 Finally, Table 6.4c, shows the effects of the decrease in employment. The NPV of the net savings falls to £15.5 million and £11.4 million at 5% and 7% discount rates, respectively. The contraction of the establishment at Abercrombie House diminishes the quantifiable resource savings that are achieved by the location of ODA posts in East Kilbride.

D. The Non-Quantifiable Effects

6.19 In this section we list the main effects of the dispersal that it has not proved possible to quantify and value. The departmental resource effects are listed first and then the effects on the dispersed staff.

(i) Departmental Resource Effects

6.20

* The temporary loss of output caused by the establishment of the office at East Kilbride and the employment of significant numbers of new staff.

* The permanent effect (loss or gain) on output through the employment of locally recruited non-mobile grades from the East Kilbride area rather than the London area.

TABLE 6.4a Simulation of Future Employment Increase

COSTS	NPV @ 81/2 @ 5% JOB INCREASE 10% @ 1990/91,	NPV @ 81/2 @ 7% CURRENT GRADE MIX 2000/01, 2010/11
a) INITIAL DISLOCATION		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1340.88	1366.42
Detached duty	523.44	533.41
Transfer payments	1213.25	1213.25
b) ACCOMMODATION		
Furnishings	556.14	556.14
Rents	5848.07	4641.65
Rates	3755.57	3003.14
PSA (Mtce & Admin)	1329.27	1081.02
c) COMMUNICATIONS		
Extra Telecom.	1094.64	886.83
Fares (UK)	1301.56	1054.47
Subsistence (UK)	564.43	457.28
Cost of Travel Time	1068.14	865.36
Abandoned Meetings	88.10	71.38
d) EFFICIENCY & STAFF DEPLOYMENT		
Additional Posts	6032.44	4933.81
TOTAL COSTS	25362.11	21352.80
SAVINGS		
a) ACCOMMODATION		
Rents (London)	19213.31	15063.39
Rates (London)	11852.19	9274.08
PSA (Mtce & Admin)	2566.83	2042.61
b) STAFF		
London Weighting	12022.23	9671.76
TOTAL SAVINGS	45654.56	36051.84
NET SAVINGS	20292.45	14699.04

TABLE 6.4b Simulation of Future Employment Increase

COS[redacted]	NPV @ 81/2 @ 5% JOB INCREASE 10% @ 1990/91,	NPV @ 81/2 @ 7% LOCALLY RECRUITED 2000/01, 2010/11
a) INITIAL DISLOCATION		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1340.88	1366.42
Detached duty	523.44	533.41
Transfer payments	1213.25	1213.25
b) ACCOMMODATION		
Furnishings	556.14	556.14
Rents	5848.07	4641.65
Rates	3755.57	3003.14
PSA (Mtce & Admin)	1329.27	1081.02
c) COMMUNICATIONS		
Extra Telecom.	1094.64	886.83
Fares (UK)	1214.18	994.41
Subsistence (UK)	526.54	431.23
Cost of Travel Time	996.43	816.07
Abandoned Meetings	82.19	67.31
d) EFFICIENCY & STAFF DEPLOYMENT		
Additional Posts	6032.44	4933.81
TOTAL COSTS	25159.21	21213.34
SAVINGS		
a) ACCOMMODATION		
Rents (London)	19213.31	15063.39
Rates (London)	11852.19	9274.08
PSA (Mtce & Admin)	2566.83	2042.61
b) STAFF		
London Weighting	12022.23	9671.76
TOTAL SAVINGS	45654.56	36051.84
NET SAVINGS	20495.35	14838.50

Table 6.4c Simulation of Future Employment Decrease

COSTS	NPV @ 81/2 @ 5% JOB REDUCTIONS 10% @ 1990/91,	NPV @ 81/2 @ 7% JOB REDUCTIONS 2000/01, 2010/11
a) INITIAL DISLOCATION		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1340.88	1366.42
Detached duty	523.44	533.41
Transfer payments	1213.25	1213.25
b) ACCOMMODATION		
Furnishings	556.14	556.14
Rents	4978.24	4043.81
Rates	3215.97	2632.26
PSA (Mtce & Admin)	1153.77	960.40
c) COMMUNICATIONS		
Extra Telecom.	947.66	785.81
Fares (UK)	1126.80	934.36
Subsistence (UK)	488.64	405.19
Cost of Travel Time	924.72	766.79
Abandoned Meetings	76.27	63.25
d) EFFICIENCY & STAFF DEPLOYMENT		
Additional Posts	6032.44	4933.81
TOTAL COSTS	23224.40	19883.54
SAVINGS		
a) ACCOMMODATION		
Rents (London)	16183.81	12981.20
Rates (London)	9969.69	7980.23
PSA (Mtce & Admin)	2189.68	1783.39
b) STAFF		
London Weighting	10351.17	8523.23
TOTAL SAVINGS	38694.36	31268.05
NET SAVINGS	15469.96	11384.51

* The permanent loss of output due to communications damage and problems of staff deployment.

(ii) **Effect on the Dispersed Staff**

6.21 For the dispersed staff and their families, dispersal has largely produced psychic costs and benefits. These are important but difficult to quantify. The following information is available:

6.22

* **Domestic relocation costs**: most of these elements were fully met by the Civil Service although respondents reported large expenditures on bridging loans and furniture and fittings, which were not met by the Civil Service.

* **Spouses'/Partners' labour market costs**: these are estimated to have affected 42 families with an average value of £4,600 in lost earnings.

* **Housing costs**: migrants from London in 1981 would on average have been able to purchase a comparable house in Glasgow for £9,000 less than the house they left in London. Most traded up. Subsequently, they will have lost an estimated £27,000 from differential house price changes in London and East Kilbride.

* **Commuting**: commuting times and costs are lower in East Kilbride than in the Civil Servants' previous locations.

* **Local services**: in general, local services were more favourably evaluated in East Kilbride than in the respondents previous location. In particular, when asked about the quality of life in East Kilbride, 57% said it was better or much better; 15% said it was worse.

6.23 The dispersed staff and their families have therefore clearly experienced quantifiable costs. However, these must be set against the largely non-quantifiable effects of better housing, less commuting and generally a better quality of life in East Kilbride. When asked whether they would prefer East Kilbride or London as a work location the majority had a strong preference for East Kilbride.

(iii) **Accounting for Efficiency Losses**

6.24 The non-quantifiable effects of the dispersal on ODA and the transferred staff could in principle either

raise or lower the measured resource effects of dispersal on the national economy. However, in view of the uncertainty surrounding the effect on the efficiency of the department, and the ODAs strongly held views that communications damage and the problems of staff deployment have seriously affected the functioning of the department, it is prudent to account for an efficiency loss.

6.25 The impact of reduced efficiency loss can be considered by looking at some orders of magnitude. Regarding the temporary output loss, Chapter 3 reported that output in the Pensions' department was low in the period immediately following dispersal. If an extreme assumption is made that output in Pensions was zero in the two years following the dispersal, then the staff costs for that period might properly be considered as a cost of dispersal. Under this assumption the estimated NPVs fall by £1.6 million.

6.26 Finally, the annual net resource saving that is estimated to accrue from the dispersal from 1987/8 is £1.7 million, it is therefore useful to pose the question: What size of efficiency loss would be required to offset the positive NPV estimated for this quantified net saving? This of course raises further questions about how efficiency should be expressed and the areas of ODA activity that are likely to be affected by any loss of efficiency resulting from dispersal.

6.27 For organisations selling their products in the market place, the productivity of the business can reasonably be measured by net output or value added. That is the sum of the factor incomes - wages, profits, etc. - earned by the participants in the business in producing and selling the product. For organisations such as government departments whose products are not marketed, the value of net output may differ from the factor incomes paid. This is principally because in the absence of a market price no residual payment to profits is made. In these circumstances, it is frequently assumed that the value placed by government on the activities of a department is at least as great as the factor incomes - largely wages and salaries - paid.

6.28 ODA considers that the outputs of the department are not adequately measured by a valuation of aid administration costs alone. Some proportion of the possible efficiency effects will be translated into a loss of benefits from

aid programme expenditure. In these terms, with bilateral aid expenditure of £781.6m (1987/88 prices) the net saving might be as little as 0.2% of this amount. However, the value of the ODA to the government and the country is not measurable in terms of the absolute value of the aid programme but in terms of the value added by its effective deployment. The value added component can not easily be determined but it is likely to be more closely approximated by the resources which the Government is prepared to invest to secure effective aid expenditure. It is therefore more useful to copare the savings with annual aid administration costs.

6.29 It has been put to us that any permanent loss of efficiency due to dispersal will affect the activities of departments at Eland House as well as those dispersed to East Kilbride. Measuring the value of the department's net output in terms of the annual HQ basic staff costs plus superannuation at 1987/8 prices, gives a figure of £18.3 million. In these terms the efficiency loss over the whole of the ODA's HQ activities that would be necessary to offset the net savings from dispersal amounts to 9.3%. For the aid administration expenditure plus superannuation costs, which excludes the Scientific units, and covers the total HQ cost of administrating the aid budget, the figures are £31.1 million and 5.5%, respectively.

Conclusions

6.30 When the costs and benefits of the dispersal to the national economy are considered a distinction must first be made between the quantifiable and non-quantifiable costs and benefits.

6.31 For the quantifiable effects, the base run calculation indicated that the dispersal breaks even in the financial year 1986/7. The NPV at 1981/2 is positive at £17.9 milliion. Net savings in accommodation costs are the principal benefits of dispersal coupled with significant savings on the London salary weighting. When a sensitivity analysis is performed to check how robust these calculations are to different discount rates, time horizons, and future employment scenarios, the general conclusions are little changed. Since the dispersal incurs initial costs which are offset by future benefits, any increase in the discount rate reduces the estimated NPV. But within the normal range of reasonable rates the NPVs remain positive with, for example, an increase in the discount rate to 7% reducing the NPV to £13.0 million. Conversely, an increase in the time horizon raises the NPV since the stream of future benefits is extended. And simulations of future employment change show that the NPV rises as employment increases and falls if jobs are lost. The

gains and losses arise because there are resource gains for each post located at Abercrombie House.

6.32 There are several effects of the dispersal that it has not proved possible to quantify or value. For the ODA, the principal costs are the temporary loss of output and the permanent loss of output due to communications damage and problems of staff deployment. Due weight must be given to these negative effects in any general conclusion about the effects of the dispersal. The view that the quality of locally recruited staff at East Kilbride is superior to that in London could not be substantiated empirically. An assessment of the long run efficiency effects of the department hiring in a different labour market must wait until staffing at both locations has adjusted to a more normal age structure, although there are indications that recruitment and training costs should be lower.

6.33 For the transferred staff, dispersal has produced mainly psychic costs and advantages. Some quantification proved possible but against these costs must be set the generally better quality of life at East Kilbride: a majority proved to have a strong preference for East Kilbride as a work location.

6.34 Finally, it is necessary to account for the possibility of the efficiency losses that would be necessary to offset the estimated annual net savings of £1.7 million from 1987/88 onwards. On the assumption that the value placed on the activities of a department will be at least as great as the factor incomes paid, the study estimated that ODA efficiency would have to fall by (at maximum) 9.3% of the HQ wage bill or 5.5% of total aid administration expenditure.

Chapter 7 Exchequer Costs and the Contribution to the Regional Economy

7.1 In this chapter we examine the implications of the dispersal for the Exchequer. Estimates of Exchequer costs are needed for their own sake so that government is appraised of the costs to the public purse of this particular policy. But since dispersal also contributes to the regional economy, in this case East Kilbride and the Strathclyde Regions, it also interesting to establish how cost effective it is in this respect. To this end, cost per job estimates are presented and compared with those estimated for the more traditional methods of promoting regional well-being.

A. Exchequer Costs

7.2 In principle, the Exchequer costs of dispersal could differ from the financial costs that fall on the ODA. There could be financial implications for other parts of the public sector. However, in this case the significant costs appear to fall exclusively on the ODA.

7.3 Table 7.1 presents the time profile of exchequer costs to 1987/8. These costs and savings are very similar to the departmental resource costs and savings. The categories that differ are: transfer payments, cost of travel time and abandoned meetings. The transfer payments include only those costs met by the ODA rather than the expenses incurred by the mobile staff, which are included in the resource costs. The cost of travel time is simply the allowances paid to staff travelling in leisure time, rather than the estimate of the value of output foregone contained in the resource costs. The exchequer cost of abandoned meetings is assumed to be zero, because again in the resource cost analysis this represented an estimate of the value of output foregone.

7.4 The table shows that net savings appear almost immediately in 1982/3, the first year after dispersal. Cumulative net savings turn positive in 1985/6, four years after dispersal. From 1987/8, the annual net saving is £1.7 million.

7.5 Table 7.2 presents the NPVs of the Exchequer savings for four time periods and three discount rates. The main point to note is that since the outlays are lower than for resource costs, while the gross savings are unchanged, the final net savings are greater than in the resource cost analysis.

TABLE 7.1

COSTS	TIME 1975-76	PROFILE 1976-77	OF 1977-78	EXCHEQUER 1978-79	COSTS 1979-80	1980-81	'000s 1981-82	1987 Prices 1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
a) INITIAL DISLOCATION													
Additional Staff	47.42	107.68	107.68	80.21	63.73	63.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Writing Manuals	0.00	0.00	0.00	0.00	0.00	80.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Double-banking	0.00	0.00	0.00	0.00	0.00	1277.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Detached duty	0.00	0.00	0.00	0.00	0.00	498.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer payments	0.00	0.00	0.00	0.00	0.00	0.00	690.62	0.00	0.00	0.00	0.00	0.00	0.00
b) ACCOMMODATION													
Furnishings							556.14	0.00	0.00	0.00	0.00	0.00	0.00
Rents							240.59	240.59	240.59	218.56	206.65	370.71	369.10
Rates							179.68	179.68	179.68	163.11	154.40	224.00	228.97
PSA (Mtce & Admin)							83.55	83.55	83.55	75.82	71.80	71.10	74.47
c) COMMUNICATIONS													
Extra Telecom.							62.37	62.37	62.37	62.37	62.37	62.37	62.37
Fares (UK)							74.16	74.16	74.16	74.16	74.16	74.16	74.16
Subsistence (UK)							32.16	32.16	32.16	32.16	32.16	32.16	32.16
Cost of Travel Time							4.47	4.47	4.47	4.47	4.47	4.47	4.47
Abandoned Meetings							0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) EFFICIENCY & STAFF DEPLOYMENT													
Additional Posts							358.03	360.67	366.42	364.18	359.56	367.58	371.29
TOTAL COSTS	47.42	107.68	107.68	80.21	63.73	1919.54	2281.76	1037.65	1043.39	994.83	965.56	1206.54	1216.98
SAVINGS													
a) ACCOMMODATION													
Rents (London)							492.31	669.81	683.21	696.61	710.00	723.40	1285.53
Rates (London)							268.79	379.81	401.24	422.67	444.10	465.55	798.81
PSA (Mtce & Admin)							89.40	119.64	120.07	120.51	120.94	121.36	160.04
b) STAFF													
London Weighting							578.38	600.16	621.95	643.74	665.53	687.32	709.09
TOTAL SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	1428.88	1769.42	1826.47	1883.53	1940.57	1997.63	2953.46
NET SAVINGS	-47.42	-107.68	-107.68	-80.21	-63.73	-1919.54	-852.88	731.77	783.08	888.70	975.01	791.09	1736.48
CUMULATIVE SAVINGS	-47.42	-155.10	-262.78	-342.99	-406.71	-2326.25	-3179.13	-2447.36	-1664.28	-775.58	199.42	990.52	2726.99

Table 7.2 NPVs of Exchequer Cost Savings (£ million)

Discount Rates	Years 6	30	50	Infinity
5%	1.5	19.4	24.4	27.4
7%	1.1	14.4	16.8	17.6
10%	0.6	9.4	10.2	10.4

B.Cost per job analysis

7.6 In chapter five estimates were presented of the employment effects of dispersal. Dispersal affects labour demand in the local economy via direct local recruitment to the office, the impact of spouses and other relations seeking employment, and the indirect effects of spending in the second and subsequent rounds. In the short run the estimated impact on local recruitment is 219 jobs in East Kilbride and 332 jobs in the Strathclyde Region. In the long run, after allowance for the impact on local authority employment and replacement construction, job creation rises to 243 and 381 in East Kilbride and Strathclyde, respectively.

7.7 To provide cost per job estimates we take the estimated Exchequer cost NPVs for six years and thirty years at the three discount rates and divide respectively by the short and long run estimates for the two areas. The results are presented in Table 7.3.

Table 7.3 Cost Per Job Estimates of the Dispersal (£,000)

	East Kilbride		Strathclyde	
Discount Rates	Short Run	Long Run	Short Run	Long Run
5%	-7.0	-79.9	-4.6	-50.9
7%	-5.1	-59.2	-3.4	-37.8
10%	-2.5	-38.5	-1.7	-24.6

7.8 The Exchequer costs savings produced by the dispersal lead to ***negative*** cost per job estimates. When there are Exchequer cost savings, the rationale for 'cost' per job estimates is much less clear. Clearly, the more jobs that are created the lower is the estimated saving

per job. This is easily seen by comparing the estimates for Strathclyde with those for East Kilbride. Accordingly, it seems somewhat superfluous to compare the above estimates with those calculated for the traditional instruments of regional policy. These estimates, which rely on different methods, such as shift-share analysis, to separate policy generated jobs from job creation that would have occurred anyway - a problem that doesn't arise in estimating the employment effects of dispersal - all produce significant positive costs per job created irrespective of the instrument of policy. All other studies that we are aware of, which produce cost per job estimates based on an examination of specific policies or programmes, have also produced positive Exchequer costs per net job.

Conclusion

7.9 This chapter has shown that the dispersal has produced significant Exchequer cost savings amounting to a continuing net saving of £1.7 million per year. The savings are greater than those identified in the resource cost analysis largely because the extra Exchequer outlays on communications and transfer costs are lower than their resource cost counterparts. When the dispersal is considered in terms of its contribution to the regional economy cost per job estimates are negative. This should be compared with the estimates for the more traditional instruments of regional policy where positive costs per job created are found. Moreover, with dispersal government has direct control over the jobs created. Problems of additionality are much less significant. It therefore provides a more certain contribution to the regional economy.

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APPENDIX 1: QUESTIONNAIRE TO MOBILE GRADES AT ABERCROMBIE HOUSE

A1.1 A questionnaire study was carried out on East Kilbride ODA staff in mobile grades and their partners (spouses and cohabitees). The questionnaire was administered primarily to elicit information on the costs and benefits to Civil Servants and their families of the relocation of posts to East Kilbride. Most of the questions therefore concern either the direct costs of moving to East Kilbride or a comparison between East Kilbride and the respondent's previous location. The questionnaire was therefore restricted to mobile grades (Executive Officers and above). 164 of the 381 staff at East Kilbride fall within this category. Ideally it would have been useful to have had information from Civil Servants who had moved to East Kilbride and subsequently returned to London. Although such a questionnaire was considered impractical, a number of such people were interviewed at Eland House.

Mechanics of the Questionnaire

A1.2 The timetable for the questionnaire was originally discussed at the first Steering Committee meeting on July 14. It was agreed that a preliminary draft should be prepared by July 27. This was circulated to the ODA, MPO, and IDS-MC division and comments were returned on August 12. These comments were incorporated into a revised questionnaire and further comments were received at the beginning of September. The survey was piloted on 7 employees at East Kilbride and their partners in the first two weeks of September. 5 responses were received and these were included in subsequent analysis with supplementary information gained from telephone enquiries.

A1.3 The questionnaires were completed in final draft form and sent out to potential respondents on September 27. The questionnaires were quite substantial. The questionnaire to staff had seventy questions broken down into six sections: the partner's questionnaire had twenty three questions in two sections. Copies of the questionnaires and the accompanying letter explaining the nature of the research are included at the back of this Appendix.

A1.4 Respondents were asked to return completed questionnaires to Frank Crampsey at Abercrombie House before October 9. By October 14, 80 responses had been received. A reminder was subsequently sent out, by Frank Crampsey, to all staff in mobile grades. The final response was 102 completed staff questionnaires and 22 completed questionnaires from partners. The coded information from these questionnaires is being held on the VAX mainframe computer at Strathclyde University. The data files have been registered under the Data Protection Act. The data have been analysed using SPSSX

A1.5 The returns from ODA staff imply a response rate of just over 62%. In order crudely to check the representativeness of these replies, we have been able to compare some of the characteristics of the respondents against the characteristics of the whole population sampled. This comparison is possible because we have computerised information from staff records held at Abercrombie House. Tables A1.1 and A1.2 give a breakdown of the grade and sex of respondents against the corresponding breakdown for all those at Abercrombie House who were sent a questionnaire. Table A1.3 gives the mean and standard deviation for the respondents' age at 1 January 1987 compared with the same information for all those sent a questionnaire.

A1.6 The chi-square values suggest that at the 5% confidence level there is no difference between respondents and non-respondents in terms of grade or sex. Similarly, there is no statistically significant difference between respondents and non-respondents in terms of age. As far as they go, these results suggest that the questionnaire respondents are a representative sample of those in mobile grades at Abercrombie House. However, it has been put to us that the slightly disappointing response rate is the result of a number of recipients feeling that because they were locally recruited, the questionnaire did not really apply to them. It might therefore be the case that Civil Servants who moved in association with getting a job at Abercrombie House are over-represented here.

Table A1.1: Grades of Respondents

	Respondents	Population Sampled
Executive Officers	52	86
Higher Executive Officers	30	53
Senior Executive Officers	12	15
Principal and above	8	10
TOTAL	102	164

Chi-square value = 4.1818, 3 degrees of freedom.

Table A1.2: Sex of Respondents

	Respondents	Population Sampled
Male	69	110
Female	33	53
TOTAL	102	163

Chi-square value = .0035, 1 degree of freedom.

Table A1.3: Respondents Mean Age and Standard Deviation

	Mean	Standard Deviation	Number
Respondents	36.93	8.425	102
Total Sampled	36.13	8.279	164

A1.7 A major concern of the questionnaire is to obtain information about the initial costs of relocating ODA posts in 1981. That is to say, initial

costs of double banking, detached duty staff relocation etc. Selecting those who answered yes on questions 2 or 6 in section 2 of the questionnaire, we can get some idea of the representativeness of the respondents who took up their posts at Abercrombie House at the time of dispersal against the original complement of staff at East Kilbride.

Table 4: Original Grade of those Respondents in Mobile Grades who Took up their posts at East Kilbride at the time of Dispersal

	Respondents	Original Staff
Executive Officer	34	94
Higher Executive Officer	11	34
Senior Executive Officer	10	18
Principal and above	2	10
TOTAL	57	156

Chi-square value 4.2582, 3 degrees of freedom.

A1.8 This suggests that the respondents who moved with the dispersal are not significantly different from the original staff at Abercrombie House in terms of their grade at the time, although the very highest grades are under-represented. However, when the origins of the these respondents was analysed, people coming from the ODA in London are severely under-represented. Of the 61 Civil Servants transferring from London with the ODA, only 10 appear in our sample: less than 20% The proportion from other Government Departments is almost 50%.

A1.9 The response rate from partners is quite low. However, this questionnaire was only to be completed if the person moved into the Strathclyde Region as a direct result of their partner's getting a job at Abercrombie House. Also, not all Civil Servants have partners. In the staff responses, 42 % moved to the job and of these, 71% have partners who should have filled in a questionnaire. If these proportions held for all

the mobile grades at Abercrombie House we would expect 49 potential respondents. On this basis, our response rate is just under 45%.

Staff Questionnaire

Section 1: Personal Information

A1.10 This section is fairly straightforward. The only major problem in the replies has come from question 10. The respondents were asked if their partners were employed in the East Kilbride area. Some replied no but because their partners work in Glasgow or elsewhere in Scotland. However these have been picked up in question 11. Also when it became apparent that a significant number of partners (over 25%) actually worked at the ODA these replies were identified separately when the answers were coded. The answers to questions 13 and 14 indicate that dependants other than partners make no real impact on the labour market at East Kilbride.

Section 2: Employment

A1.11 Answers to these questions give information on prior employment before taking up the post at East Kilbride, any double-banking or detached duty, reasons for moving and the evaluation of present prospects. Questions 3a and 3b give good information on the extent and duration of detached duty and double-banking, and this information can be broken down by grade. We have been supplied with information on detached duty allowances and together with the data from the questionnaire, an estimate of these costs can be made. On the other hand, question 3c supplied no useful information at all.

Section 3: Housing Information

A1.12 Information for section 3, 4 and 5 on housing, dislocation costs and the evaluation of alternative locations was required only from those who answered yes to question 1 in this section. That is those who found it necessary to move house when they took up their post at East Kilbride. There were 41 in this category. Another three people moved to East

Kilbride from detached duty abroad but their replies in these sections have been discounted: their answers are difficult to incorporate with the rest and in some cases difficult to interpret.

Section 4: Relocation Costs

A1.13 Answers to question 2 in this section give an indication of the relocation costs of individuals moving to East Kilbride, and the proportion of these costs which were met by the Civil Service. However the responses on some of the categories were low and these figures are difficult to interpret. It is not clear whether the respondent did not incur these costs or whether they simply cannot remember what the costs were.

Section 5: Evaluation of Current Location

A1.14 Again replies in this section have proved generally straightforward to code and interpret. In question 2 additional categories were explicitly coded. These were travel by underground and travel by two or more modes.

Section 6: Consequences of Dispersal for Job Efficiency

A1.15 The number of meetings that respondents had in London was generally less than we had expected when we were drafting the questionnaire. Therefore when questions 1,2,3 and 4 were coded the responses were translated to meetings per year.

Partner's Questionnaire

A1.16 This questionnaire was designed to elicit information from spouses and cohabitees of Civil Servants in mobile grades at Abercrombie House. It was to be answered only if they moved to East Kilbride as a result of their partner's taking up his/her post at East Kilbride. We anticipated a lower response rate from partners as against ODA staff. However we feel that it is useful to have obtained information from them directly concerning the costs and benefits that they have experienced through dispersal.

ODA DISPERSAL: QUESTIONNAIRE TO EMPLOYEES AT EAST KILBRIDE

The questionnaire is divided into 6 sections:

I) Personal information;
II) Employment information;
III) Housing information;
IV) Relocation costs;
V) Evaluation of current location;
VI) Consequences of dispersal for job efficiency.

If a question appears ambiguous to you, could you please indicate what you have interpreted the question to mean. This can be done either alongside your answer or in the space provided at the end of the questionnaire. Where alternative responses are provided please indicate your preferred option by encircling the appropriate word or letter.

I) Personal Information

1) Name ..... Staff No. .....

2) Grade .....

3) Seniority Date .....

4) Address .....

.....

5) Sex (a) Male
(b) Female

6) Date of birth .....

7) In which year did you take up your job with the ODA at East Kilbride? .....

8) What was your initial grade? .....

9) Are you cohabiting or married and living with your spouse? Yes/No

10) If yes, is your partner in paid employment in the East Kilbride area?

(a) Full-time
(b) Part-time
(c) No

11) If employed, please specify location of employment

.....

12) If not employed, is your partner seeking employment? Yes/No

13) If you have any children living with you, please state;

(a) how many .....

(b) their ages .....

14)/....

I) Personal Information (cont'd)

14) If they are over 16 indicate how many are:

(a) In full-time education
(b) Youth training scheme
(c) Unemployed
(d) In full-time employment
(e) In part-time employment

15) If they are employed, please specify location of employment.

.....

.....

16) Do you have any other dependants living with you? Please specify

.....

.....

.....

.....

II) Employment

1) Before taking up your job at the ODA at East Kilbride, were you in paid employment? Yes/No

If the answer to this question is no, please move to section III.

2) If yes, did you join the ODA as part of the dispersal programme? (eg as part of the 1979 trawl). Yes/No

3) If you answered yes to question 2,

(a) For how many months were you on detached duty in London?

(months) .....

(b) For how long were you double-banked in your job?

(months) .....

(c) Do you have an estimate of the cost to the Civil Service of your detached duty?

.....

If you were on detached duty in London before moving to East Kilbride, questions concerning your previous location (eg housing, public facilities etc.) do not relate to London; questions concerning your previous employment do not relate to the ODA.

II) Employment (cont'd)

4) Prior to taking up your job at the ODA at East Kilbride, where did you work?

(a) ODA,
(b) other central government departments,
(c) other.

If (b) or (c), please specify,

.....

.....

5) What was the location of your previous employment?

.....

6) If your previous employment was in the Civil Service, did you move to East Kilbride in 1981 as part of the dispersal? Yes/No

7) What was your main personal reason for accepting a post at East Kilbride?

(a) promotion,
(b) preference for this location,
(c) other, please specify

.....

8) What, do you feel, has been the effect of the move to East Kilbride on your career so far?

(a) very favourable
(b) favourable
(c) neutral
(d) unfavourable
(e) very unfavourable

Please explain .....

.....

.....

9) What, do you feel, are your future career prospects in the ODA?

(a) very favourable
(b) favourable
(c) neutral
(d) unfavourable
(e) very unfavourable

Please explain .....

.....

.....

III) Housing Information

In this section we are looking at the implications for those who were required to move house when taking up their job at East Kilbride. We are therefore comparing the cost of accommodation in the East Kilbride area with the cost of accommodation in the previous location. If you have changed house since coming to East Kilbride, the information we require in questions (10) to (15) relates to your first house.

1) When you took up your post at East Kilbride, did you find it necessary to move house? Yes/No

If no, move to section VI.

2) If yes, in which year did you move house? .....

3) If yes, what was your previous address?

.....

.....

4) What was your housing tenure immediately before you moved to East Kilbride?

(a) owner occupied
(b) private rented
(c) local authority rented
(d) other, please specify

.....

5) What type of accommodation did you live in before you moved to East Kilbride?

No of Bedrooms / Type	1	2	3	4	>4
Detached					
Semi-detached					
Terraced					
Flat					
Other Please specify					

6) If you were an owner occupier, did you sell your former residence? Yes/No

If no, move to question 9.

7) If yes, in which year did you sell your former residence? .....

8) What was the selling price? .....

9)/....

III) Housing Information (cont'd)

9) What was the value of the mortgage on your former residence? (value of mortgage, not monthly repayment)

.....

10) What is your housing tenure now?

(a) owner occupied
(b) private rented
(c) new town development corporation housing
(d) local authority rented
(e) other, please specify

.....

11) What type of accommodation do you live in now?

No of Bedrooms / Type	1	2	3	4	>4
Detached					
Semi-detached					
Terraced					
Flat					
Other Please specify					

12) If you own your new residence, in which year did you buy it? .....

13) What was the purchase price? .....

14) What is the value of the mortgage on your new residence? (value of mortgage, not monthly repayment)

.....

15) If you rent accommodation, how much rent per month did you initially pay?

.....

16) If you rented accommodation immediately prior to moving to the East Kilbride area, how much rent did you pay per month?

.....

17) When you moved, how did rents in East Kilbride compare to rents in your previous location (taking quality of housing into account)?

Please comment .....

.....

.....

III) Housing Information (cont'd)

18) How much did you pay in rates immediately before moving to the East Kilbride area?

(per annum) .....

19) How much do you pay in rates in the first year after moving to East Kilbride?

(per annum) .....

20) How do rates charges compare to the rates in your previous location?

Please comment .....

.....

.....

IV) Relocation Costs

1) How long did it take you to find a permanent residence when you moved to the East Kilbride area?

(Months) .....

2) As a direct consequence of your move to East Kilbride, what was the approximate total cost of each of the following, and how much of these costs were met by the Civil Service?

	Total Cost	Amount Contributed by the Civil Service
Temporary accommodation	.....	.....
Solicitor's fees	.....	.....
Estate agent's fees	.....	.....
Surveyor's fees	.....	.....
Bridging loan	.....	.....
Removal expenses	.....	.....
Furniture and fittings	.....	.....
Preliminary/weekend visits	.....	.....

3) If your partner was in paid employment in your previous location, and looked for employment in the East Kilbride area, how long did it take her/him to find a job?

(Months) .....

4) What do you estimate your partner's loss of income to be as a result of any forced unemployment?

.....

IV) Relocation Costs (cont'd)

5) Are there any other costs that you incurred when you moved to East Kilbride, and to what extent were these met by the Civil Service?

.....

.....

.....

V) Evaluation of Current Location

In this section, previous location refers to your location immediately prior to moving to Abercrombie House.

1) What is your main form of transport to work?

a) On foot
b) Bicycle
c) Bus
d) Train
e) Car
f) Other/please specify

.....

2) What was your main form of transport to work in your previous location?

a) On foot
b) Bicycle
c) Bus
d) Train
e) Car
f) Other/please specify

.....

3) How long does your journey to work take? (Mins) .....

4) How long was this journey in your previous location? (Mins) .....

5) What is the weekly cost of your current journey to work (include petrol costs if part or all of the journey is done by car)?

.....

6) What was the weekly cost in your previous location?

.....

7) How would you describe your journey to work compared to your previous location?

a) More pleasant
b) Similar
c) Less pleasant

8)/...

Please use this space to make any general comments that you have concerning the provision and quality of transport, housing, social amenities, or any other matter which you feel is relevant to this section.

.....

.....

.....

.....

VI) Consequences of Dispersal for Job Efficiency

1) How many meetings, per month, do you typically attend outside Abercrombie House with:

a) the ODA
b) other Civil Service Departments
c) other organisations?

2) Of these, how many are held in London?

.....

3) How many are held in other locations?

Please specify .....

4) If your post were located in London, how many additional formal meetings per month would you expect to attend? These would be meetings which at present do not take place because of the costs and difficulties of travel, or which do take place but which you do not attend.

a) within the ODA
b) with other Civil Service Departments
c) with other organisations

5) If your post were located in London, how many additional informal face to face contacts per month would you expect to make, eg, with Geographical Departments and Advisers.

.....

6) How much time is typically spent travelling in one visit to and from London?

.....

7) What proportion of travelling is done in your personal time? .....

8) Do you find time spent travelling with the job disruptive to your personal life? Yes/No

9) Ignoring relocation costs, but taking everything else into consideration, if your existing job were available in London, how would you compare the two locations?

a) Strong preference for East Kilbride
b) Preference for East Kilbride
c) No particular preference
d) Preference for London
e) Strong preference for London

V) Evaluation of Current Location (cont'd)

8) How do you evaluate the following as compared to your previous location?

	Much Better	Better	Same	Worse	Much Worse
Public transport provision					
Quality of education					
Health Service provision					
Social Services for young & old					
Sports & leisure centres					
Policing					
Libraries					
Other social & cultural facilities					
Quality of life in general					

9) How much use do you make of the following as compared to your previous location?

	Much More	More	Same	Less	Much Less
Public transport					
Social Services					
Sports/leisure centres					
Libraries					
Other social & cultural facilities					

10) Do you see your wider family more or less frequently than previously because of the move?

a) More
b) About the same
c) Less

11) If your contact with your wider family is reduced, is this a serious problem?

Yes/No

Please explain if you wish .....

.....

Thank you very much for taking time to complete this questionnaire. If you have strong views on any issues linked to dispersal that have not been adequately covered in this questionnaire, please express them here. Ambiguity in any of the questions should also be identified here.

.....

.....

.....

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.....

.....

ODA Dispersal: Questionnaire to Partners of Employees at East Kilbride

This questionnaire should only be filled in if you moved into the Strathclyde Region as a direct result of your partner being employed in the ODA at East Kilbride.

Some questions directly duplicate those in your partner's questionnaire. Usually this is because we are interested in your individual reaction to the move to East Kilbride: but in one or two cases duplication is used to facilitate coding and analysis.

The questionnaire is divided into two sections:

I) Personal Information
II) Evaluation of current location

If a question appears ambiguous to you, could you please indicate what you have interpreted the question to mean. This can be done either alongside your answer or in the space provided at the end of the questionnaire. Where alternative responses are provided please indicate your preferred option by encircling the appropriate word or letter.

I) Personal Information

1) Name .....

2) Address .....

.....

3) Date of birth .....

4) In which year did you move to the East Kilbride area? .....

5) Were you employed in your previous location?
(a) Full-time
(b) Part-time
(c) No

6) If (a) or (b) what was your job? .....

7) Are you presently employed?
(a) Full-time
(b) Part-time
(c) No

8) If (a) or (b) what is your present job? .....

9) If you were unemployed as a consequence of moving to the East Kilbride area, how long did this period of unemployment last?

(Months) .....

10) How far do you estimate your income now differs from that which you would have been receiving in your pre-East Kilbride location (to nearest £500 per annum)?

.....

I) Personal Information (cont'd)

11) Do you think the quality of your job is better or worse than before?

(a) Much better
(b) Better
(c) Same
(d) Worse
(e) Much worse

Please comment .....

.....

.....

II) Evaluation of Current Location

In this section, previous location refers to your location immediately prior to moving to the East Kilbride area. The first few questions relate to travel to work. If you are not in paid employment, go straight to question (8).

1) What is your main form of transport to work?

(a) On foot
(b) Bicycle
(c) Bus
(d) Train
(e) Car
(f) Other/please specify

.....

2) What was your main form of transport to work in your previous location?

(a) On foot
(b) Bicycle
(c) Bus
(d) Train
(e) Car
(f) Other/please specify

.....

3) How long does your journey to work take? (Mins) .....

4) How long was this journey in your previous location? (Mins) .....

5) What is the weekly cost of your current journey to work (include petrol costs if part or all of the journey is done by car)?

.....

6) What was the weekly cost in your previous location?

.....

7) How would you describe your journey to work compared to your previous location?

(a) More pleasant
(b) Similar
(c) Less pleasant

II) Evaluation of Current Location (cont'd)

8) How do you evaluate the following as compared to your previous location?

	Much Better	Better	Same	Worse	Much Worse
Public transport provision					
Quality of education					
Health Service provision					
Social Services for young & old					
Sports & leisure centres					
Policing					
Libraries					
Other social & cultural facilities					
Quality of life in general					

9) How much use do you make of the following as compared to your previous location?

	Much more	More	Same	Less	Much Less
Public transport					
Social services					
Sports/leisure centres					
Libraries					
Other social & cultural facilities					

10) Do you see your wider family more or less frequently than previously because of the move?

(a) More
(b) About the same
(c) Less

11) If your contact with your wider family is reduced, is this a serious problem? Yes/No

Please explain if you wish .....

Please use this space to make any general comments that you have concerning the provision and quality of transport, housing, social amenities, or any other matter which you feel is relevant to this section.

.....

.....

.....

.....

II) Evaluation of Current Location (cont'd)

2) Ignoring relocation costs, but taking everything else into consideration, if your partner's existing job were available in London, how would you compare the two locations?

(a) Strong preference for East Kilbride
(b) Preference for East Kilbride
(c) No particular preference
(d) Preference for London
(e) Strong preference for London

Thank you very much for taking time to complete this questionnaire. If you have strong views on any issues linked to dispersal that have not been adequately covered in this questionnaire, please express them here. Ambiguity in any of the questions should also be identified here.

.....

.....

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.....

.....

APPENDIX 2: MULTIPLIER MODEL FOR CIVIL SERVICE DISPERSAL AND SELECTED PARAMETER VALUES

Long Run Model

The first round injection (X_o) can be expressed as:

$$X_o = C_m w_m + C_n w_n \qquad \ldots(1)$$

where C_m represents the Civil Service employment in mobile grades, C_n represents the Civil Service employment in non-mobile grades, and w_m and w_n represent the average wage rates of mobile and non-mobile Civil Servants respectively.

First round employment (E_o) equals the sum of the initial employment injection and the linked first-round local authority and construction employment (L_o, B_o):

$$E_o = C + L_o + B_o \qquad \ldots(2)$$

The employment injection (C) is exogenous, and is simply the sum of mobile and non-mobile Civil Service employment:

$$C = C_m + C_n \qquad \ldots(3)$$

Local authority employment (L_o) comprises both district and regional authority employment, and is taken to be linked to changes in the total population served by the respective authorities. It is assumed that there is a linear relationship between changes in the local authority employment (L) and changes in the local population (N). Therefore:

$$L = gN \qquad \ldots(4)$$

where $1 \geq g \geq 0$.

The change in local population can be broken down into two elements. First, there is the direct increase caused by the migration of the Civil Servants and their families into the local area. An inportant point should be made here. Although certain posts are known as mobile grades, this does not mean that they are necessarily recruited from outwith the region. In the case of the ODA, many of the initial employees in these grades were recruited from other parts of the Civil Service in Scotland. Also, over time an increasing number of these posts will be filled by local promoted staff. Second, there is the migration induced by the increased locally recruited employment. It is assumed that a change in employment in mobile Civil Service grades and other locally recruited employment causes a net inmigration equal to some proportions (z_m,z_n) of this increase, where $1 \geq z_m, z_n \geq 0$.

The model also incorporates commuting. A proportion of workers in all categories will live outwith the local area and commute into work. This also has an impact on the change in local population.

Expressing the number of dependents per migrant as f and the proportions of Civil Servants in mobile grades, Civil Servants in non-mobile grades, local authority employees and construction employees resident in East Kilbride as c_m, c_n, l and b respectively:

$$L_o = z_m(1+f)gc_mC_m + z_n(1+f)g(c_nC_n + lL_o + bB_o) \qquad \ldots(5)$$

Defining a variable π equal to $(1+f)g$ simplifies equation (5), which can now be written:

$$L_o = z_m\pi c_mC_m + z_n\pi(c_nC_n + lL_o + bB_o) \qquad \ldots(6)$$

Because of the relatively small size of the East Kilbride economy, it is assumed that changes in local expenditure have minimal effects on employment and income in local manufacturing. Capital expenditure on manufactured goods is assumed to generate no income in East Kilbride. On the other hand, capital expenditure on the repair and replacement of buildings is assumed to contribute to income and employment in East Kilbride.

In the long-run, appropriate additions to the stock of buildings will be required for each additional first round employee. The income and employment generated in the construction industry through the maintenance and replacement of these additional buildings has been incorporated in the multiplier process:

$$B_o = C_m\alpha_c + C_n\alpha_c + L_o\alpha_1 + B_o\alpha_b \qquad \ldots(7)$$

where α_c, α_1 and α_b represent the increase in construction employment caused by the maintenance and replacement of buildings associated with additional employment in the respective categories.

It is perhaps prudent to reiterate here that this analysis is not concerned with the initial capital expenditures associated with the dispersal project. Ignoring any multiplier/accelerator interaction, equations (3),(6) and (7) can be combined to produce the first round employment vector (e_o):

$$(I-\varphi_o)e_o = j_o \qquad \ldots(8)$$

where:

$$\varphi_o = \begin{bmatrix} 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 \\ z_m\pi c_m & z_n\pi c_n & z_n\pi l & z_n\pi b \\ \alpha_c & \alpha_c & \alpha_1 & \alpha_b \end{bmatrix}, e_o = \begin{bmatrix} C_m \\ C_n \\ L_o \\ B_o \end{bmatrix} \text{ and } j_o = \begin{bmatrix} C_m \\ C_n \\ 0 \\ 0 \end{bmatrix}$$

Premultiplying both sides of equation (8) by $(I-\varphi)^{-1}$ gives:

$$e_o = (I-\varphi_o)^{-1}j_o \qquad \ldots(9)$$

From equation (2), first round employment (E_o) is simply the sum of the elements of the vector e_o.

The first round addition to local GDP measured at factor prices (Y_o) can be derived from the vector of first round employment (e_o). If the relationship between local GDP (Y) and local disposable income (D) is to be correctly

calculated, it is necessary to split the income stream into appropriate categories of profits and wages. The wage income stream is classified into three types of wage recipient: migrants and potential migrants, non-migrants previously registered as unemployed, and non-migrants previously unemployed but not so registered. These categories are identical to those used by Ashcroft and Swales (1982). Their assumption that new employees are either not "poached" from existing employment or, if they are, that the vacant post is subsequently refilled, is also accepted. As mentioned already, it is also assumed that a given proportion of all locally recruited jobs is filled either by inmigrants or those who would have moved out of the local area had they not found employment.

First round total wage income (W_o) is given by:

$$W_o = C_m w_m + C_n w_n + L_o w_l + B_o w_b \qquad \ldots(10)$$

where w_m, w_n, w_l and w_b are the respective wage rates in mobile Civil Service grades, non-mobile Civil Service grades, local authority and construction employment.

The division of total first round wage income into the proportion going to actual and potential migrants (W_{mo}), non-migrants previously registered as unemployed (W_{ro}) and non-migrants previously unemployed but not so registered (W_{vo}) is given by the equations:

$$W_{mo} = z_m C_m w_m + z_n (C_n w_n + L_o wl + B_o w_b) \qquad \ldots(11)$$

$$W_{ro} = (1-z_m) r C_m w_m + (1-z_n) r (C_n w_n + L_o wl + B_o w_b) \qquad \ldots(12)$$

$$W_{vo} = (1-z_m)(1-r) C_m w_m + (1-z_n)(1-r)(C_n w_n + L_o wl + B_o w_b) \qquad \ldots(13)$$

where r represents the proportion of non-migrants who gain employment having previously been registered as unemployed.

First round profits are generated in construction (P_{bo}) and can be written as:

$$P_{bo} = p_b B_o \qquad \ldots(14)$$

where p_b represents profits per employee in construction.

If equations (11),(12),(13), and (14) are combined, the vector of first round local GDP (y_o) can be calculated:

$$y_o = \psi_o e_o \qquad \ldots(15)$$

where:

$$\psi_o = \begin{bmatrix} z_m w_m & z_n w_n & z_n w_1 & z_n w_b \\ (1-z_m) r w_m & (1-z_n) r w_n & (1-z_n) r w_1 & (1-z_n) r w_b \\ (1-z_m)(1-r) w_m & (1-z_n)(1-r) w_n & (1-z_n)(1-r) w_1 & (1-z_n)(1-r) w_b \\ 0 & 0 & 0 & p_b \end{bmatrix},$$

and $y_o = \begin{bmatrix} W_{mo} \\ W_{ro} \\ W_{vo} \\ P_{bo} \end{bmatrix}$

First round local GNP (q_o) is calculated from GDP by removing that income generated in the local area but distributed to factors owned outwith that area. Because the East Kilbride economy is small and strongly integrated in the larger Strathclyde connurbation, income will leak from all sectors rather than just the wage and profit income leakage identified in the conventional multiplier literature (Brownrigg, 1971). If the proportion of profit income distributed to capital owned outwith East Kilbride is h_b for construction, then first round local GNP (q_o) is given by:

$$q_o = y_o - h_o \qquad \ldots(16)$$

where h_o is a vector representing income leakages from local GDP.

$$h_o = k_o e_o \qquad \ldots(17)$$

where k_o is:

$$\begin{bmatrix} (1-c_m)z_m w_m & (1-c_n)z_n w_n & (1-l)z_n w_l \\ (1-c_m)(1-z_m)w_m & (1-c_n)(1-z_n)rw_n & (1-l)(1-z_n)rw_l \\ (1-c_m)(1-z_m)(1-r)w_m & (1-c_n)(1-z_n)(1-r)w_n & (1-l)(1-z_n)(1-r)w_l \\ 0 & 0 & 0 \end{bmatrix}$$

$$\begin{bmatrix} (1-b)z_n w_b \\ (1-b)(1-z_n)rw_b \\ (1-b)(1-z_n)(1-r)w_b \\ h_b p_b \end{bmatrix}$$

and $q_o = \begin{bmatrix} W_{mo}^* \\ W_{no}^* \\ W_{vo}^* \\ P_{bo}^* \end{bmatrix}$

The vector of first round GNP (q_o) can be transformed into the vector of first round disposable income through the removal of taxes and lost social security benefits. It is assumed that additional income from profits and additional wage income earned by those not previously registered as unemployed is taxed at the marginal rate (t_{mg}). "This is because in both cases it is likely that such income is allocated to an existing tax case and will consequently be taxed at the marginal rate " (Ashcroft and Swales, 1982, p.433). Income times the average propensity to tax (t_{av}) represents the direct tax payment for wage income earned by migrants or potential migrants, and those previously registered as unemployed. For those previously registered as unemployed, the reduction in social security benefits must also be taken into account. Defining the ratio of unemployment benefit to average income as θ:

$$d_o' = \Omega q_o \qquad \ldots(18)$$

where $\Omega = \begin{bmatrix} 1-t_{av} & & 0 \\ & 1-t_{av}-\theta & \\ & & 1-t_{mg} \\ 0 & & & 1-t_{mg} \end{bmatrix}$, and $d_o^{'} = \begin{bmatrix} ** \\ W_{mo} \\ ** \\ W_{ro} \\ ** \\ W_{vo} \\ ** \\ P_{bo} \end{bmatrix}$

To complete the first round of the multiplier, second round expenditure (X_1) must be calculated. Second round expenditure in this formulation of the model comprises two parts. First, expenditure which results from first round disposable income ($d_o^{'}$); second, expenditure in the GEAR area by those who work in the area but live outside. Consider each in turn.

Expenditure (X_1^{1}) which results from the first round disposable income ($d_o^{'}$) can be calculated by:

$$X_1^{'} = (1-m)Fd_o^{'} \qquad \ldots(19)$$

where

$$F = \begin{bmatrix} (1-s_{av}) & (1-s_{mg}) & (1-s_{mg}) & (1-s_{mg}) \end{bmatrix}$$

s_{av} and s_{mg} are the personal average and marginal propensities to save, and

m is the average propensity to import adjusted to include indirect taxes.

Since migrants and potentially migrant employees will bring with them autonomous consumption in addition to the consumption related to their income, the average rather than the marginal propensity to save is applied to their disposable income (Grieg, 1971a, 1971b; Gordon, 1973; Yannopoulos, 1973).

The expenditure (X_1^{2}) of those who work in the area but live outside, can be calculated from the leakage vector h_o in a manner similar to the process by which $X_1^{'}$ was calculated, except that average rates are used and it is not appropriate to make any adjustment for lost unemployment and social security benefit:

$$(1-t_{mv})h_o = \vec{d}_o^{\,2} \qquad \ldots(20)$$

where $\vec{d}_o^{\,2}$ is the vector of the disposable income of those who work locally but live outside and disposable profits distributed outwith East Kilbride.

If it is assumed that some of the wage income but none of the profits is spent in East Kilbride, then:

$$\vec{X}_1^{\,2} = A\vec{d}_o^{\,2} \qquad \ldots(21)$$

where $A = \begin{bmatrix} a_1 & a_2 & a_3 & 0 \end{bmatrix}$,

and a_1, a_2 and a_3 are the proportions of disposable income spent in East Kilbride by each of the three categories of wage recipient respectively.

$$X_1 = X_1^1 + X_1^2 \qquad \ldots(22)$$

Following Ashcroft and Swales (1982), it is assumed that the second round local expenditure goes to the service sector thereby generating employment in that sector. It will prove useful to break down this employment into three categories: full-time male employment (U_{fm}), full-time female employment (U_{ff}), and part-time female employment (U_{pf}).

$$U_{fm1} = X_1/i_{fm} \qquad \ldots(23)$$

$$U_{ff1} = X_1/i_{ff} \qquad \ldots(24)$$

$$U_{pf1} = X_1/i_{pf} \qquad \ldots(25)$$

where i_{fm}, i_{ff} and i_{pf} respectively represent the increase in local value added necessary to create one extra full-time male, full-time female and part-time female job in the local service sector.

Equations (23), (24) and (25) correspond to equations (3) in the first round, since they determine the initial employment injection in the round. In an

analagous manner, this employment generates additional linked local authority and construction employment. This is given by:

$$(I-\varphi_1)e_1 = j_1 \qquad \ldots(26)$$

where

$$\varphi_1 = \begin{bmatrix} 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 \\ z_n\pi u_{fm} & z_n\pi u_{ff} & 0 & z_n\pi l & z_n\pi b \\ \alpha_f & \alpha_f & \alpha_p & \alpha_1 & \alpha_b \end{bmatrix}, \quad e_1 = \begin{bmatrix} U_{fm1} \\ U_{ff1} \\ U_{pf1} \\ L_1 \\ B_1 \end{bmatrix} \quad \text{and} \quad j_1 = \begin{bmatrix} X_1/i_{fm} \\ X_1/i_{ff} \\ X_1/i_{pf} \\ 0 \\ 0 \end{bmatrix}$$

u_{fm} and u_{ff} are resectively the proportion of additional full-time male and full-time female service sector employees who live in East Kilbride, and

α_f and α_p have the same meaning as α_1 and α_b except that they apply respectively to additional full-time and part-time employees in the service sector.

Note that it is assumed here that additional part-time employment is not taken to generate net additions to population. That is to say, migration decisions are not affected by part-time employment.

Premultiplying both sides of equation (26) by $(I-\varphi_1)^{-1}$ gives:

$$e_1 = (I-\varphi_1)^{-1}j_1 \qquad \ldots(27)$$

When e_1 has been determined, y_1, q_1 and d_1 can be calculated in an analagous manner to the first round. Thus:

$$y_1 = \psi_1 e_1 \qquad \ldots(28)$$

where:

$$\psi_1 = \begin{bmatrix} z_n w_{fm} & z_n w_{ff} & 0 & z_n w_1 & z_n w_b \\ (1-z_n) r w_{fm} & (1-z_n) r w_{ff} & 0 & (1-z_n) r w_1 & (1-z_n) r w_b \\ (1-z_n)(1-r) w_{fm} & (1-z_n)(1-r) w_{ff} & w_{pf} & (1-z_n)(1-r) w_1 & (1-z_n)(1-r) w_b \\ p_{fm} & p_{ff} & p_{pf} & 0 & p_b \end{bmatrix}$$

and,

$$y_1 = \begin{bmatrix} W_{m1} \\ W_{r1} \\ W_{v1} \\ P_1 \end{bmatrix}$$

In this block of equations, w_{fm}, w_{ff} and w_{pf} are the wage payments and p_{fm}, p_{ff} and p_{pf} the profits for each full-time male, full-time female and part-time female worker respectively in the local service sector. The formulation of ψ_1 also embodies the implicit assumption that all part-time service employees were not previously registered as unemployed.

$$q_1 = y_1 - h_1 \qquad \ldots(29)$$

where $h_1 = k_1 e_1$,

$k_1 =$

$$\begin{bmatrix} (1-u_{fm}) z_n w_{fm} & (1-u_{ff}) z_n w_{ff} & 0 & (1-1) z_n w_1 & (1-z_n) r w_b \\ (1-u_{fm})(1-z_n) r w_{fm} & (1-u_{ff})(1-z_n) r w_{ff} & 0 & (1-1)(1-z_n) r w_1 & (1-z_n) r w_b \\ (1-u_{fm})(1-z_n)(1-r) w_{fm} & (1-u_{ff})(1-z_n)(1-r) w_{ff} & w_{pf} & (1-1)(1-z_n)(1-r) w_1 & (1-z_n)(1-r) w_b \\ h_u p_{fm} & h_u p_{ff} & h_u p_{pf} & 0 & h_b p_b \end{bmatrix} ,$$

and $q_1 = \begin{bmatrix} W_{m1}^* \\ W_{r1}^* \\ W_{v1}^* \\ P_1^* \end{bmatrix}$

Using equation (28), equation (29) can also be expressed as:

$$q_1 = (\psi_1 - k_1)e_1 \qquad \ldots(30)$$

and:

$$d_1^{'} = \Omega q_1 \qquad \ldots(31)$$

Third round expenditure (X_2) comprises expenditure ($X_2^{'}$) which results from second round disposable income (d_1), and expenditure ($X_2^{''}$) in the East Kilbride area by those who work there but live outside. As with the first round equations:

$$X_2^{'} = (1-m)Fd_1^{'} \qquad \ldots(32)$$

$$d_1^{''} = (1-t_{mv})h_1 \qquad \ldots(33)$$

$$X_2^{''} = Ad_1^{''} \qquad \ldots(34)$$

and:

$$X_2 = X_2^{'} + X_2^{''} \qquad \ldots(35)$$

Once one has worked through the first two rounds of the multiplier process, the total employment and income effects (E, Y, Q and D) of the initial injection can be calculated as:

$$E = E_o + E_1/(1-\lambda) \qquad \ldots(36)$$

$$Y = Y_o + Y_1/(1-\lambda) \qquad \ldots(37)$$

$$Q = Q_o + Q_1/(1-\lambda) \qquad \ldots(38)$$

$$D = D_0 + D_1/(1-\lambda) \qquad \ldots(39)$$

where:

$$\lambda = X_2/X_1 \qquad \ldots(40)$$

Short Run Model

Two adjustments are made to the model to make it applicable to the short-run. First, changes in local authority employment, which are linked to changes in local population, are ignored in the short-run. Although some change in population will occur immediately as Civil Servants move to fill the new posts in the dispersed departments, the net changes in population which occur through greater locally recruited employment are likely to take time to appear. Also, it is thought that changes in local authority employment will adjust to changes in population only after a lag. Second, employment and income generated by long-term increases in construction employment needed to service additional work premises are also ignored in the short-run.

This has the following implications for the formal operation of the model.

a) Population adjustments

g is given the value 0, which means that π also takes the value 0.
z_n is given the value 0.
z_m is given a value equal to the proportion of Civil Servants in mobile grades not locally recruited.

b) Construction

α_b, α_c, α_f, α_1 and α_p are all set to 0.

A Larger Geographical Area

In order to apply this model to a larger geographical area a number of adjustments need to be made. These are to the migration, factor location and import propensity parameters.

a) Migration

Some migration into the East Kilbride area will have come from elsewhere in Strathclyde. There has therefore to be a downward adjustment to the migration parameters (z_n,z_m).

b) Factor Location

Some of those employed in East Kilbride do not live in East Kilbride, but commute into work. Their impact on the local economy, both in terms of their expenditure and their demand for local authority services, is less than the impact of residents. When the geographical area is expanded, the proportion of workers commuting from outwith the target area will fall. The value of the parameters b, c_m, c_n, l, u_{fm}, u_{ff} will rise. There will also be a fall in the proportion of profits flowing outwith the region: h_e and h_u.

c) Import Propensity

Ceteris paribus, the larger the area, the lower the propensity to import: the value of m will fall.

[redacted]sameter Values

C_m	164	z_m	.565 (.42)	α_p	.015 (0)	θ	.25
C_n	217	z_n	.25 (0)				
				r	.87	m	.6657
W_m	10096	c_m	.53 [1]				
W_n	5550	c_n	.71 [1]	p_b	5005	s_{mv}	.06
		l	.71 [1]	p_{fm}	5242	s_{mg}	.11
W_1	11008	b	.71 [1]	p_{ff}	2835		
W_b	9460	u_{fm}	.71 [1]	p_{pf}	1044	a_1	.025
W_{fm}	10567	u_{ff}	.71 [1]			a_2	.025
W_{ff}	5715			h_b	.2	a_3	.025
W_{pf}	2104	α_c	.03 (0)	h_u	.31		
		α_b	.01 (0)			i_{fm}	25266
π	.12	α_1	.02 (0)	t_{mv}	.19	i_{ff}	48126
		α_f	.04 (0)	t_{mg}	.28	i_{pf}	37569

The parameter values listed here are used for the analysis of the long run impact on East Kilbride. The figures in round brackets are the short run parameter values, and those in square brackets are the Strathclyde values. These are only shown separately where they differ from the original parameter values.

Data Sources

C_m ODA

C_n ODA

w_m ODA: Salary scales 1.9.87

w_n ODA: Salary scales 1.9.87

w_1 New Earnings Survey 1986: adjusted for wage increases to 1987

w_b New Earnings Survey 1986: adjusted for wage increases to 1987

w_{fm} New Earnings Survey 1986: adjusted for wage increases to 1987

w_{ff} New Earnings Survey 1986: adjusted for wage increases to 1987

w_{pf} New Earnings Survey 1986: adjusted for wage increases to 1987

π Census of Population (1981) and Regional Trends

z_m Questionnaire + Ashcroft and Swales (1982)

z_n Ashcroft and Swales (1982)

c_m Questionnaire

c_n Census of Population Small Area Statistics 1981. Calculations taken from Nairn (1985)

l Census of Population Small Area Statistics 1981. Calculations taken from Nairn (1985)

b Census of Population Small Area Statistics 1981. Calculations taken from Nairn (1985)

u_{fm} Census of Population Small Area Statistics 1981. Calculations taken from Nairn (1985)

u_{ff} Census of Population Small Area Statistics 1981. Calculations taken from Nairn (1985)

α_c Ashcroft and Swales (1982)

α_b Ashcroft and Swales (1982)

α_1 Ashcroft and Swales (1982)

α_f Ashcroft and Swales (1982)

α_p Ashcroft and Swales (1982)

r Strathclyde Digest 1981, Census of Population 1981. Calculations taken from Nairn (1985)

p_b National Income and Expenditure 1987

p_{fm} National Income and Expenditure 1987 and Department of Employment Gazette, Historical Supplement February 1987

p_{ff} National Income and Expenditure 1987 and Department of Employment Gazette, Historical Supplement February 1987

p_{pf} National Income and Expenditure 1987 and Department of Employment Gazette, Historical Supplement February 1987

h_b Brownrigg (1971)

h_u Census of Distribution 1971

t_{av} Family Expenditure Survey 1987

t_{mg} Inland Revenue 1987

θ Regional Trends and Social Security Statistics

m Scottish Input-Output Tables for 1979

s_{av} Family Expenditure Survey 1987

s_{mg} Family Expenditure Survey 1987

a_1 Nairn (1985)

a_2 Nairn (1985)

a_3 Nairn (1985)

i_{fm} National Income and Expenditure 1987, Department of Employment Gazette, February and March 1987, New Earnings Survey 1986, Regional Trends 1987

i_{ff} National Income and Expenditure 1987, Department of Employment Gazette, February and March 1987, New Earnings Survey 1986,

Regional Trends 1987

$i_{p,t}$ National Income and Expenditure 1987, Department of Employment Gazette, February and March 1987, New Earnings Survey 1986, Regional Trends 1987

APPENDIX 3: INTERVIEW SCHEDULES

LONDON

ODA DISPERSAL

Interview: Date:

Current Grade & Post:

Department at Abercrombie:

Duration as Head of Department:

2. Transitional Effects of Dispersal

i) What was the number and proportion of staff in designated mobile grades who did not disperse with the department?

ii) Were all the staff in mobile grades who did not wish to disperse replaced by new staff?

iii) For what period before dispersal occurred were these new staff employed?

iv) What was the nature and extent of training given?

v) How many and what proportion of the staff in non-mobile grades were employed and trained in London before dispersal occurred?

vi) What was the nature and extent of pre-dispersal training given to non-mobile grades/

vii) In general terms, did the need to replace and train new staff owing to dispersal have a transitional (or permanent) effect on the efficiency of your department? And, if so, in what ways and to what extent was efficiency affected?

viii) Were there any other transitional effects on departmental efficiency caused by the move to the new location?

Problems:

The scale of the problem was given as:

3. POST DISPERSAL EFFECTS

COMMUNICATIONS

a) Formal Meetings;

i) Including yourself, how many members of staff made regular trips to London or elsewhere for formal meetings with colleagues or clients following dispersal?

ii) What are the grades of these staff?

iii) How many trips per month were made either on average or individually?

iv) By what % would the number of formal meetings increase if the time spent travelling was reduced by:

Reduction %	Increased meetings %

v) By what percentage would the number of formal meetings have increased if your department had remained in London?

iv) If formal face-to-face meetings have fallen as a result of the dispersal, how seriously has this affected the functioning of the department?

b) Informal contacts

i) Did the loss of informal work contacts with Eland House, other Govt. depts and agencies outwith the Civil Service, affect the efficiency of your dept? Please explain identifying where possible key examples.

ii) If efficiency has been reduced through the loss of informal contacts how seriously did this affect the functioning of your department?

iii) In your view has the effect on efficiency in your dept been greater or less than other depts at Abercrombie? Please explain.

c) Telecommunications

i) To what extent did the telecommunications facilities available at Abercrombie House provide a substitute for reduced informal contact and abandoned formal contacts with colleagues in London and clients?

d) Other

i)Were there been any other comms effects caused by the move to the new location?

RESOURCE DEPLOYMENT AND UTILISATION

a) Staff

i) If your department had remained in London, would you have employed more or less staff than you do at Abercrombie?
For example: a) Was it been necessary to employ more staff due to the ODA being split between 2 locations? and/or
b) Did the initial requirement that the ODA provide a specific number of posts at East Kilbride led to more people being employed in your dept than might otherwise have been the case.
If so please give reasons and details of the number of grades

ii)Once your department had moved to East Kilbride did you subsequently experience any difficulties in recruiting staff in mobile grades from the ODA in London or from elsewhere in the Civil Service?

iii) Would you judge the quality and performance of staff in mobile grades and employed in your dept to have been better or worse than if the dept had remained in London?

iv) Would you judge the quality and performance of staff locally recruited in your dept to have been better or worse than if the dept had remained in London?

v) Was the turnover of staff employed in locally recruited grades in your dept higher or lower than in London?

vi) If staff turnover in locally recruited grades did differ did this have any favourable or unfavourable effect on the efficiency of the dept?

vii) It has been suggested that there is a lack of promoted posts at East Kilbride which may have an effect on staff morale. Was there any evidence of this in your dept?, if so was departmental efficiency affected?

c) Other

i) Did you experience any difficulties in introducing new systems (eg; computerisation) or in standardising systems due to the location of your dept in East Kilbride?

ii)Did the dispersal have any other effects on the deployment and utilisation of other resources in your dept. and/or between department and other departments?

4. GENERAL

i) In general terms how do you think your dept would have developed if it had remained in London compared with its development at East Kilbride?

ii) In what ways, if any, did the development of your department at East Kilbride differ from expectations before dispersal?

iii) What are the principle effects of dispersal on the efficiency and operation of your dept?

iii) Taking everything into account, did dispersal have a favourable, neutral, or detrimental effect on the efficiency of your dept?

PROGNOSIS

POINTS

ODA DISPERSAL

Interview: Date:

Post and Grade

2. Communications Effects;

a) Formal Meetings;

i)Do you participate in less formal meetings with staff from Abercrombie House than would be the case if the Abercrombie departments were located in London?

ii)If, so can you specify the extent to which formal meetings have been reduced?

iii) If you participate in a smaller number of formal meetings with staff from Abercrombie, how seriously has this affected your job?

iv) Would your colleagues in this and other departments at Eland House have been similarly affected by the reduction in the number of formal meetings?

b) Informal contacts

i) Has the loss of informal work contacts with with Abercrombie affected the efficiency ofyour job? Please explain identifying where possible key examples.

ii) If efficiency has been reduced through loss of informal contacts, how seriously has this affected the functioning of your dept?

iii) Would your colleagues in this and other departments at Eland House have been similarly affected by the loss of informal contacts?

c) Telecommunications

i) Has the location of several departments at East Kilbride increased your need to use the telephone?

ii) If so, how much more time is spent on the telephone than would be the case if the Abercrombie departments were located in London?

iii)Have you experienced difficulties in making telephone contact with Abercrombie? For example, is the Government Telephone Network adequate?

iv) If you have experienced difficulties in making telephone contact with Abercrombie, how seriously has this affected your ability to perform the functions associated with your post?

v) Do you write more letters than would be the case if the Abercrombie departments were located in London?

vi) If so, how much more time is spent letter writing and how seriously has this affected your ability to perform the functions associated with your post?

vii) Are the mail services (Data post, Post Office Direct Bag Services) to East Kilbride adequate for your needs?

viii) Do you use FAX machines to communicate with Abercrombie House, if so, is the equipment quick, reliable, and adequate for your needs in the receipt and transmission of documents?

ix) It has been suggested that the absence of secure FAX links has proved to be a constraint, has this been the case for you and other colleagues in your dept?

x) Do you use digital comms such as micro-computer links with Abercrombie House? if so, is the use of on-line computer links adequate for your needs in the receipt and transmission of information?

xi) In general terms, do the telecomms facilities between Abercrombie and Eland House provide a substitute for reduced informal contacts and abandoned formal meetings with colleagues at East Kilbride?

d) Other

i)Has your job been affected by any other comms difficulties caused by the move to the new location?

2. GENERAL

i) Are there any other favourable or unfavourable effects caused by the ODA being split betwwen the two locations that you wish to bring to our attention?

INTERVIEW FORMAT AND QUESTIONS

Preamble: Need to explain here the purpose of the study and the role of the interviews in the study. Another point that I think should be stressed here is that we want the interviewee to focus on what has happened **as a result of dispersal**. Where possible the interviewee should try and distinguish between the effects of dispersal and what would have happened anyway.

1. Interviewee Details:

Name:

Post:

Department:

Date of interview:

2. Communications Effects:

a) Formal meetings:

(i) Including yourself, how many members of your staff make regular trips to London and elsewhere for formal meetings with colleagues or clients?

(ii) What are the grades of these staff?

(iii) How many trips per month are made either on average or individually?

(iv) On average, how many hours are spent travelling to and from these meetings?

(iv) What is the financial cost to the department of these trips in terms of travel and subsistence expenses?

(v) By what percentage would the number of formal meetings increase if your department was currently located in London?

(vi) By what percentage would the number of formal meetings increase if the time spent travelling was reduced by:

Reduction %	Increased meetings %
25%	
50%	
75%	

(vii) If formal face-to-face meetings have fallen as a result of dispersal, how seriously has this affected the functioning of your department?

b) Informal contacts:

(i) Has the loss of informal (day-to-day) work contacts with Eland House, other government departments, and outwith the Civil Service, affected the efficiency of your department? Please explain identifying where possible key examples.

(ii) If efficiency has been reduced through loss of informal contacts, how seriously has this affected the functioning of your department?

(iii) In your view has the effect on efficiency in your department been greater or less than other ODA departments at Abercrombie? Please explain.

c) Telecommunications:

(i) Has your department incurred increased telecommunications costs since dispersal?

(ii) Can you provide an estimate of the annual increase in costs for your department?

(iii) To what extent do the telecommunications facilities available at Abercrombie provide a substitute for reduced informal contacts and abandoned formal meetings with colleagues in London and clients?

d) Other

(i) Have there been any other communications effects caused by the move to the new location?

3. Resource Deployment and Utilisation

a) Transitional Effects of dispersal

(i) How many staff in both mobile and non-mobile grades were completely new to your department following the dispersal?

(ii) Did the process of employing and training new staff have a transitional effect on departmental efficiency? And if so, to what extent was efficiency affected?

(iii) Were there any other transitional effects on departmental efficiency caused by the move to the new location?

b) Staff

(i) If your department was currently located in London would you employ more or less staff than you do at Abercrombie?

(For example: (a) has it been necessary to employ more staff due to the ODA being split between two principal locations? and/or

(b) has the initial requirement that the ODA provide a specific number of posts at East Kilbride led to more people being employed in your department than might otherwise have been the case?)

If so please give reasons and details of the number and grades.

(ii) Have you experienced any difficulties in recruiting staff in mobile grades from the ODA in London or from elsewhere in the Civil Service?

(iii) Would you judge the quality and performance of staff in mobile grades employed in your department to be better or worse than would be the case if the department was located in London?

(iv) Is the turnover of staff employed in mobile grades in your department higher or lower than would be the case in London? If so, please explain.

(v) If staff turnover in mobile grades does differ has this had any favourable or unfavourable effects on the efficiency of your department? If so, please explain.

(vi) It has been suggested that there is a lack of promoted posts at East Kilbride which may have an effect on staff morale. Is there any evidence of this in your department? If so, has there been any impact on the efficiency of the department?

(vii) Would you judge the quality and performance of staff recruited locally to your department to be better or worse than would be the case in London?

(viii) Is the turnover of locally recruited staff in your department higher or lower than would be the case in London?

(ix) If the turnover of locally recruited staff does differ has this had any favourable or unfavourable effects on departmental efficiency? If so please explain.

c) Other

(i) Have you experienced any difficulties in introducing new systems (eg. computerisation) or in standardising systems due to the location of your department in East Kilbride?

(ii) Have there been any other effects on the deployment and utilisation of resources within your department as a result of the dispersal?

4. General

(i) In general terms, how do you think your department would have developed if it had remained in London compared with its development at East Kilbride?

(ii) What have been the principal effects of dispersal on the efficiency and operation of your department?

(ii) Taking everything into account has dispersal had a favourable, neutral or detrimental effect on the efficiency of your department?

INTERVIEWS

COMMUNICATIONS EFFECTS

1. Interviewee Details:

Name:

Post:

Department:

Date of interview:

2. Communications Effects:

a) Formal meetings:

(i) How many regular trips to London and elsewhere do you make each month for formal meetings with colleagues or clients?

(ii) On average, how many hours are spent travelling to and from these meetings?

(iii) By what percentage would the number of formal meetings increase if your post and department was currently located in London?

(iv) By what percentage would the number of formal meetings increase if your time spent travelling was reduced by:

Reduction %	Increased meetings %
25%	
50%	
75%	

(v) If formal face-to-face meetings have fallen as a result of dispersal, how seriously has this affected your job?

(vi) Have there been any beneficial effects?

(vi) Would your colleagues in your department at Abercrombie have been similarly affected by the reduction in formal meetings?

b) Informal contacts:

(i) Has the loss of informal (day-to-day) work contacts with Eland House, other government departments, and outwith the Civil Service, affected your job? Please explain identifying where possible key examples.

(ii) Would your colleagues in your department at Abercrombie have been similarly affected by the loss of informal contacts?

(iii) If your job and that of your colleagues has been made more difficult through loss of informal contacts, how seriously has this affected the functioning of your department?

c) Telecommunications:

(i) Do you use the telephone more than would be the case if your post was located in London?

(ii) If so, how much more time is spent on the telephone?

(iii) If so, has your ability to perform the functions associated with your job been affected? For example, are there difficulties in contacting people?

(iv) Do you write more letters than would be the case if your post was located in London?

(v) If so, how much more time is spent letter writing and has this reduced your effectiveness in performing the functions associated with your job?

(vi) Are the mail services (Data Post, Post Office Direct Bag Service) to London and elsewhere adequate for your needs?

(vii) Do you use facsimile (FAX) transmission equipment to communicate with Eland House, other government departments and clients?

(viii) If so, is the equipment quick, reliable and adequate for your needs in the receipt and transmission of documents?

(ix) It has been suggested that the absence of secure FAX links has proved to be a constraint, has this proved to be the case for you and other colleagues in your department?

(x) Do you use digital communications such as micro-computer links with London?

(xi) If so, is the use of on-line computer links adequate for your needs in the receipt and transmission of information?

(xii) In general terms, do the telecommunications facilities available at Abercrombie provide a substitute for reduced informal contacts and abandoned formal meetings with colleagues in London and clients?

d) Other

(i) Has your job been affected by any other communications difficulties caused by the move to the new location?

APPENDIX 4: IMPACT ON PARTNERS OF DISPERSED STAFF

A4.1 22 responses were received from the partners of ODA employees, but only 13 had moved to East Kilbride at the time of the initial dispersal in 1981. Of these 5 came from London or Greater London and 8 from other locations in England and Scotland. Since this response covers only a small number of individuals, the results must be treated with some caution. Factors which will be considered here are:

- Labour market costs;
- Transport costs;
- Qualitative differences in local environment and services.

Labour Market Dislocation Costs

A4.2 Of the 5 London movers, 3 found paid employment in both locations, but on average suffered a 6 month period of forced unemployment after the dispersal. When asked to estimate by how much their income now differs from that which they would have been receiving in their pre-East Kilbride location, one respondent said she was now having to work full-time to acheive the same income as she had been receiving for part-time work in London, the other replies indicated an average loss of £5,250.

A4.3 Of the 8 non-London movers, one gained a level transfer in the Civil Service hence suffered no unemployment or loss of income. The average length of unemployment for the other 4 respondents who were employed in both locations was 9 months and their average income loss £3,250. Two partners who were unemployed in their previous location managed to find employment in East Kilbride and these said they were better off because of the dispersal.

A4.4 There appears to be no significant difference in the quality of work available in East Kilbride compared to other locations.

Transport costs

A4.5 Table A4.1 below shows that working partners tended to find employment relatively close to home in both East Kilbride and their previous location with relatively short travel to work times. Commuting times tend to be lower in East Kilbride, but commuting costs are on balance about the same being lower than in London but higher than elsewhere.

Table A4.1 Average commuting costs per weekand average travel-to-work time in East Kilbride compared with those of respondent's previous location.

Previous location	Commuting Costs		Journey Time	
	London & Gtr Ldn	Elsewhere	London & Gtr Ldn	Elsewhere
	£	£	mins	mins
Location				
East Kilbride	1.67	4.40	12	20
Respondents Previous Location	2.67	3.40	15	20

A4.6 When asked about qualitative aspects of their journey, respondents who had previously been employed in London found their present journey more pleasant. Of those who had been located elsewhere, 50% thought their present journey less pleasant, 25% thought it was about the same and 25% thought it was more pleasant.

Local Environment and Services

A4.7 Respondents were asked to compare local services in East Kilbride with those available in their previous location. There were 5 possible

responses, much better, better, the same, worse and much worse. These were allocated scores of 1 for much better through to 5 for much worse. On this basis, an average score of less than 3 means East Kilbride is being evaluated more favourably than the respondents previous location. The average results are given in Table A4.2 below.

Table A4.2 The relative evaluation of local services provision in East Kilbride as set against the respondents previous location.

Previous location	London & Gtr London	Elsewhere
Local Services		
Public transport provision	3.00	3.25
Quality of education	3.00	2.50
Health service provision	2.00	2.50
Social services for young and old	2.75	3.25
Sports and leisure centres	2.20	2.75
Policing	3.00	3.00
Libraries	2.80	2.75
Other social and cultural facilities	3.60	2.33

A4.8 In general, services were considered to be slightly better in East kilbride than in other areas, particularly in the case of respondents who had transferred from locations outwith London.

A4.9 Respondents were also asked about the extent to which they took advantage of these services as compared with their previous location: much more, more, the same, less, or much less. Results were calculated by the same method as above with much more scoring 1 through to much less which had a score of 5. The average scores are given in Table A4.3 below.

Table A4.3 The extent to which respondents use local services in East Kilbride as compared with their previous location.

Previous location	London & Gtr London	Elsewhere
Local Services		
Public transport provision	4.17	4.00
Social services for young and old	3.00	2.50
Sports and leisure centres	2.80	3.00
Libraries	2.67	3.00
Other social and cultural facilities	3.00	2.50

A4.10 Thus with the exception of public transport, respondents made either the same or a greater use of local amenities in East Kilbride than in their previous locations.

A4.11 A more general view taken about the local environment can be determined from the replies to the question asking respondents to evaluate the general quality of life in East Kilbride as against their previous location. The replies are given in Table A4.4

Table Evaluation of the quality of life in general in East Kilbride as compared with respondents previous location

Previous location	London & Gtr London	Elsewhere
Evaluation		
Much better	2	1
Better	2	2
Same	1	4

PRIME MINISTER

LOCATION OF GOVERNMENT WORK

You have already agreed that the Paymaster General should announce the revisions of relocation policy on the basis he suggested in his minute of 15 March. In paragraph 7 of that minute, the Paymaster argued against a proposal by Mr. Rifkind to set up a special unit to stimulate relocation. Your marginal comments imply you accepted the Paymaster's arguments against this suggestion.

Mr. Rifkind has now himself pressed the idea of a special unit in his minute of 28 March.

Content that I should record that you do not support a special unit?

PRCb.

Yes - special units do no good at all. Remarks only come from Ministers who want to relocate - grounds for cork.

PG

30 March, 1988.

JD75

010

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CCB/G.

Prime Minister

LOCATION OF GOVERNMENT WORK: GUIDELINES FOR THE 1988 EXPENDITURE SURVEY

Peter Brooke's minute to you of ~~15~~ 16 March encloses new draft guidelines to implement the decisions we took in E(A) last January to encourage relocation out of central London of all Government functions which do not need to be there. I very much welcome the general thrust of these proposals, but there is one additional suggestion that I would make.

We are, I know, all anxious to ensure that the new guidelines result in actual change rather than simply in consultation. Announcement of our intentions is bound to create a public expectation of action, and we must not run the risk of an embarrassing gap opening up, in one or 2 years' time, between expectation and achievement. This is why I suggest establishing a special unit - along the lines of the Deregulation Unit and the arrangements made for the implementation of "The Next Steps" - whose task it would be to push our policies through into effect.

This would not run counter to our policies for decentralising more responsibility to departments. What it would do would be to make sure the scope for greater cost-effectiveness was not overlooked. Running cost pressures, no matter how ingeniously devised, may not in themselves be enough, and departments' entirely natural preference for the status quo may win out unless we take steps to concentrate their minds on relocation as an option.

If we are ever to make progress in distributing activity more evenly throughout the country rather than concentrating so much in London, a proactive unit of the sort proposed is vital.

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I am copying this to Cabinet members, Richard Luce, Patrick Mayhew and Chris Patten; and to Sir Robin Butler.

MR

M R

28 March 1988

HMP08802

CIVIL SERVICE: Dispenser
PT3



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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Hon Peter Brooke MP
The Paymaster General
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

25 March 1988

Dear Peter,

LOCATION OF GOVERNMENT WORK

In the light of our recent correspondence about how best to implement our decisions to encourage relocation out of central London of all Government functions which do not need to be there, I am sure that you - and colleagues generally - will take great interest in the enclosed report which evaluates the dispersal of part of the Overseas Development Administration from central London to East Kilbride in 1981.

This research was commissioned by my Industry Department for Scotland but carried out by independent researchers, and has been supervised by representatives of both IDS and ODA. The main conclusions are as follows:-

a. even making conservative assumptions wherever possible, the researchers find that the net savings to the ODA's running costs are substantial, quickly realised, and continuing. The most significant elements were rent and rates savings. Views differed on the extent to which efficiency has improved (because of higher quality staff) or declined (because of distance factors). On the basis of central assumptions and a 5% discount rate the net present value (NPV) of the dispersal is estimated at £17.9 million, and the NPV remains highly positive at higher discount rates, and when more pessimistic assumptions are made about future employment patterns and efficiency effects;

b. there were clear benefits arising from the move for the staff who had dispersed (on a voluntary basis) with an overwhelming majority expressing preference for location in East Kilbride as compared to London;

c. there have been substantial gains to the local economy arising from the dispersal. It is estimated that short-run employment in East Kilbride has risen by 413 and in Strathclyde by 436. The long-run effects are estimated at roughly 10% higher;

d. the net Exchequer benefit (ie cost saving to the Exchequer) is estimated at £19.4 million, which together with the long-run impact on the local economy implies a negative cost-per-job of around £51,000.

In summary, the ODA dispersal to East Kilbride is seen as having been both an efficient use of resources at the UK level, and a highly cost-efficient means of transferring jobs and activity from London and the South East to a development area. There were also evident benefits for the staff dispersed.

To my surprise, this appears to be the first time that the effects of Government relocation have been systematically researched, and I have no doubt that the research findings will repay close attention by all Departments now considering whether there is scope for some relocation of their functions. The conclusions clearly demonstrate the substantial scale of net benefits to the national economy to be achieved through relocation, in addition to the gains to the recipient region and to the staff concerned. The report also indicates the scale of net Exchequer savings from dispersal. I hope that this will bring home to all Departments the potential gains from relocation away from London and the south east.

I am sending copies of this letter and the report to the Prime Minister, Norman Fowler, Tom King, Peter Walker, Kenneth Clarke, Nicholas Ridley, Richard Luce and Chris Patten, and to Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

ENCLOSURE

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10 DOWNING STREET

LONDON SW1A 2AA

bc: B9

From the Private Secretary

24 March 1988

Dear Simon,

LOCATION OF GOVERNMENT WORK: GUIDELINES FOR THE 1988 EXPENDITURE SURVEY

The Prime Minister has seen the Paymaster General's minute of 15 March. She is content for him to announce the relocation policy in the terms proposed through a Written Answer and to promulgate the relocation guidelines to departments.

I am copying this letter to the Private Secretaries to members of the Cabinet, Eleanor Goodison (Office of the Minister for the Arts), Michael Saunders (Law Officers' Department), Myles Wickstead (Overseas Development) and Trevor Woolley (Cabinet Office).

Yours,

Paul

PAUL GRAY

Simon Judge, Esq.,
Paymaster General's Office

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QTS.

JR/0297p

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000
From the Secretary of State for Social Services

NBRM
RRG
23/3

CONFIDENTIAL

The Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
LONDON
SW1P 3AG

22 March 1988

Dear Peter.

LOCATION OF GOVERNMENT WORK: GUIDELINES FOR THE 1988 EXPENDITURE SURVEY

Thank you for sending me a copy of your minute to the Prime Minister of 15 March. I agree wholeheartedly with the policy you are pursuing following the decision at E(A)(87)1st Meeting.

In common with a number of my colleagues I have in hand studies that will help me to relocate large amounts of work away from London and the South East on the grounds that only in this way can I run my Department efficiently and effectively. We all need to reduce to the absolute minimum the work which we carry out in London and the South East because we cannot recruit and retain staff of the quality we need there whereas we can do so elsewhere.

I particularly agree with paragraphs 5 and 6 of your minute and with the conclusion you reach in paragraph 7.

I am copying this minute to members of the Cabinet, Richard Luce, Patrick Mayhew, Chris Patten and to Sir Robin Butler.

JOHN MOORE



PRIME MINISTER

LOCATION OF GOVERNMENT WORK

You saw these papers at the weekend, and suggested that, rather than make an announcement about the new policy (which could cause hostility), the Paymaster General should simply proceed with the action.

I have now discovered that the Paymaster General has given a number of holding replies to earlier Parliamentary Questions indicating that the Government would in due course be making a further policy announcement. I attach the Hansard extract for the latest such reply on 18 January. The Paymaster General therefore feels it would be difficult now to proceed without any announcement. There is a further point that the guidance for the policy would need to be circulated quite widely, and would become available to the unions; rather than allowing the news to leak out in this way, it might in the long run be less controversial to make a straightforward announcement.

In the light of these further points, would you be content for the Paymaster General to make an announcement?

RRCG.

Yes

Paul Gray
21 March 1988

DG2COP

	Decile Groups									
	Bottom	*2nd*	*3rd*	*4th*	*5th*	*6th*	*7th*	*8th*	*9th*	*Top*
(ii) (percentages of gross income)										
Income tax[1]	0·2	1·4	2·6	6·8	9·7	10·9	12·6	13·7	15·6	19·1
National insurance contributions	0·2	0·3	1·1	3·1	4·8	5·5	5·8	6·0	5·8	4·8
Domestic rates[2]	5·5	5·0	4·8	4·6	4·1	3·7	3·2	3·1	2·6	2·0
Indirect taxes	20·4	20·0	21·4	20·8	19·2	18·4	16·8	17·2	15·6	13·7

[1] Net of tax relief at source on mortgage interest and life assurance premiums.
[2] Net of the rate rebate element of housing benefit.
Source: CSO estimates based on the 1985 Family Expenditure Survey.

Revenue Collection

Mr. O'Brien: To ask the Chancellor of the Exchequer what action he intends to take to ensure that tax collection offices are adequately staffed to obviate second applications and final demand notices being sent to taxpayers in error.

Mr. Norman Lamont *[holding answer 14 January 1988]:* Tax collection offices are complemented according to the work they are required to do, and I have no reason to believe that these offices are inadequately staffed. Furthermore, there is no evidence to suggest that errors in the issue of applications for tax is a widespread problem, but if the hon Member has evidence to the contrary I will look into the matter.

Mr. O'Brien: To ask the Chancellor of the Exchequer how many *(a)* second application and *(b)* final demand notes for income tax payments have been sent out by the Inland Revenue in error during the last 12 months.

Mr. Norman Lamont *[holding answer 14 January 1988]:* Statistics on the number of second applications or final demand notes issued in error are not available.

Tax Allowances

Mr. Wareing: To ask the Chancellor of the Exchequer what representation he has received seeking the abolition of the married man's income tax allowance; and what response he has made.

Mr. Norman Lamont *[holding answer 14 January 1988]:* My right hon. Friend the Chancellor of the Exchequer continues to receive a wide range of correspondence on this subject. Replies have referred to the Green Paper, "The Reform of Personal Taxation", which outlined a possible new system of independent taxation of husband and wife with a standard personal tax allowance transferrable between spouses, and to the fact that we are now exploring the possibility of a halfway house to the Green Paper approach.

Jobs Dispersal

Mr. Ingram: To ask the Chancellor of the Exchequer whether he intends to commission a further report on the dispersal of Civil Service jobs, in the light of the improvements in communication, information technology and the transport network, since the Hardman report was first published.

Mr. Brooke *[holding answer 15 January 1988]:* The programme of dispersal announced in 1979 is nearing completion. The Government are preparing and will announce in due course a policy to succeed it. This policy will reflect the factors mentioned by the hon. Member and the potential benefits to the Civil Service and to the localities concerned of siting work in areas where labour supply conditions and costs are favourable.

EC (Payments)

Mr. Cryer: To ask the Chancellor of the Exchequer what was the net payment made to the EEC by the United Kingdom Government for 1987.

Mr. Brooke *[holding answer 15 January 1988]:* I regret that the outturn figure is not yet available.

THE ARTS

Museums and Galleries

Mr. Faulds: To ask the Minister for the Arts, whether he will publish in the *Official Report* the attendance figures for 1987 reported by the national museums and galleries in England for which he is responsible, broken down into the individual institutions but comprising their outstations, with figures in each case of the percentage increase or decrease on the attendance figures for 1986; and whether, in the case of such museums or galleries as charge for admission, he will in addition specify the number of tickets sold.

Mr. Luce: I will reply substantively to the hon. Member as soon as information on 1987 attendance figures at the national museums and galleries is available.

Mr. Faulds: To ask the Minister for the Arts, pursuant to his answer of 14 December 1987, *Official Report*, column *376*, whether *(a)* the sales of items from the national museums to which he refers took place by public auction in the United Kingdom and *(b)* the identities of the vendors of these items were specified in the relevant sale catalogues.

Mr. Richard Luce: The information requested is as follows:

Institution	*(a) Items sold by public auction in the United Kingdom*	*(b) Identities of vendors specified in relevant sale catalogues*
British Museum	Yes	Yes
British Museum (Natural History)	No	Not applicable
National Maritime Museum	No	Not applicable
Victoria and Albert Museum	Yes	No

The British museum (natural history) sold a set of nine Victorian bound volumes of fern specimens from New

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PRIME MINISTER

LOCATION OF GOVERNMENT WORK

The Paymaster General's minute of 15 March seeks agreement to a Parliamentary Written Answer announcing a policy on location of Government work. This follows discussion in E(A) last year. He also sets out (paragraph 10) the latest plans for local pay additions.

You will also want to look at the Cabinet Office minute of 17 March, which points out that what is now proposed involves a rather more active relocation policy than E(A) endorsed. In particular, there is rather more emphasis given to the regional policy dimension. But, as the Cabinet Office acknowledge, the Paymaster General has secured the agreement of the Ministers most interested to his approach, except for one point (paragraph 7 of the Paymaster's minute) where Mr. Rifkind wishes him to go further still.

Are you content with the approach the Paymaster General now advocates, and for it to be publicised via a Parliamentary Answer?

Or

Would you prefer a lower profile approach, which would arguably follow more closely the spirit of the E(A) conclusions?

I think it would be better to get on with the relocation rather than make an announcement; I fear the latter would only cause hostility. nr

RRCG.

(PAUL GRAY)
18 March 1988

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Reference No: 0524

1. MR WILSON

2. MR GRAY

17 March 1988

Location of Government work

The Paymaster General's minute of 15 March makes proposals for a new exercise on the relocation of Government work. I am not sure that these are consistent with the spirit of E(A)'s conclusions when they last discussed the matter on 29 January 1987.

2. At that meeting Mr Clarke proposed that there should be a review of the possibility of locating more Civil Service work in the regions. E(A) rejected this proposal. They decided:

- The case for specific moves on operational efficiency grounds should be pursued in the normal way as a matter of good management but it would not be right to undertake any more general reviews.

- Moves should not be made on regional policy grounds alone.

The Prime Minister in her summing up also said that it was important that Departments should keep in Central London only the functions which needed to be there. In saying this however I think she had in mind only whether Departments like the ODA needed to be in Whitehall as opposed to locations further out in London, rather than any move to the regions.

3. Mr Brooke now proposes that 'all Departments should now review the location of their work with the intention of securing cost-savings and providing a more even geographical distribution of Civil Service employment opportunities'. (Paragraph 5 of draft guidelines). This sounds quite close to the general review which E(A) rejected.

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4. Regional policy also seems to bulk large in the reviews. The guidelines give three criteria (paragraph 6), apparently of equal weight, one of which is 'the wider employment and economic development effects of relocating Civil Service jobs, including consistency with Ministers' wider regional and inner city area policies'. Departments must consult the regional Departments and always include a site suggested by them in their list of options, even if it is not the most cost effective. Mr Rifkind's proposal for a special unit to oversee the exercise (referred to in paragraph 7 of Mr Brooke's covering note) shows how the regional interests might try to make use of the opening thus created.

5. Finally, Mr Brooke proposes a Parliamentary answer announcing the review. This might give it a higher profile, and lead to pressure on regional grounds.

6. My only purpose is to point out that the proposals are different in flavour from E(A)'s conclusions. It may be that Ministers if they considered the matter collectively - for example in the light of subsequent work on the Inner Cities - would reach a different view now. Mr Brooke has obtained the agreement of Mr Rifkind (subject to the point mentioned above), Mr King, Mr Walker, Mr Clarke, Mr Fowler and Mr Luce.

G W MONGER

Cabinet Office

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

The Sub-Committee considered a Memorandum by the Paymaster General and the Minister of State, Privy Council Office about a possible study of the scope for transferring more Government work to the regions (E(A)(87) 2).

THE PAYMASTER GENERAL said there was a case for undertaking a review of the possibility of locating more Civil Service work in areas of higher unemployment and particularly the regions, and for establishing clear criteria for testing a number of particular options. Moving Civil Service work away from London and the South East had potential attractions in, for example, making it easier to recruit certain types of staff (particularly the lower paid), and would also demonstrate the Government's commitment to strengthening the employment base in the North, particularly in the service sector.

THE MINISTER OF STATE, PRIVY COUNCIL OFFICE, said that the programme agreed in 1979 to disperse 6,000 posts from the South East was virtually complete. It was now necessary to look more radically at other possibilities. On previous experience it often took six to ten years for the financial benefits of moving from London to outweigh the costs, but there was scope for making greater use of modern telecommunications technology.

THE PRIME MINISTER, summing up the discussion, said that there were often substantial advantages to be gained from relocating offices away from London and the South East: office space was cheaper elsewhere, and it was easier to recruit staff, often of higher quality. The case for any specific moves on operational efficiency grounds should be pursued in the normal way as a matter of good management and best use of resources, but the Sub-Committee did not believe that it would be right to undertake any more general reviews or to make moves on regional policy grounds alone. It was important, however, that Departments should keep in Central London only those functions which needed to be there, and to that end it would be right to ensure that Departments had to bear the full equivalent commercial rent of London office space on their running cost budgets.

The Sub-Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion.

Cabinet Office
29 January 1987

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cc BG

FROM: PAYMASTER GENERAL
DATE: 15 March 1988

PRIME MINISTER

LOCATION OF GOVERNMENT WORK: GUIDELINES FOR THE 1988 EXPENDITURE SURVEY

The programme for dispersing Civil Service work from London and the South-East, announced in 1979, is nearing successful completion. Nearly all the target of 5,900 posts have been relocated: planning is in hand for the small remainder. In addition, a comparable number of posts have since 1979 been relocated on the initiative of individual departments. Some four-fifths of the Civil Service now work outside Greater London.

2. Last year E(A) Committee agreed (E(A)(87)1st Meeting) that, to succeed the 1979 programme, departments should consider the location of their work with a view (wherever suitable) to placing it in areas of easier recruitment and lower costs. The expectation was that these conditions might often be found in localities of concern to us from the perspective of regional and urban policies. A number of departments already have such reviews in hand.

3. I attach (at **flag A**) a draft Parliamentary written answer to announce this policy, and (at **flag B**) guidelines requesting departments to report during the 1988 running costs expenditure Survey on their intentions for scrutinising locations. If you and colleagues are content, and subject to early and I hope brief consultation on terms of service aspects with the Council of Civil Service Unions, I should like to give the Parliamentary answer and promulgate the guidelines to departments before the Easter Recess. (I do not think I need trouble you or colleagues with the detailed annexes to the guidelines covering regional variations in pay and accommodation costs.)

4. The guidelines follow the E(A) decision in placing the responsibility for location on departments and their Ministers.

There will no longer be a centrally determined target for the number of posts to be moved, though in successive expenditure Surveys we will actively encourage departments to give proper effect to the collectively agreed policy. I will report periodically to you and colleagues on progress made and planned.

5. The 1979 dispersal policy, as supplemented by further Treasury guidelines in 1984, required departments when considering alternative locations to include in their appraisals of sites in assisted areas the notional equivalent of the regional assistance which a private company might have expected when relocating there. This is inconsistent with E(A)'s decision that departments should not "make moves on regional policy grounds alone", and since the abolition of Regional Development Grants it is unlikely that companies with operations akin to those of Government departments could count on significant subsidy under Regional Selective Assistance.

6. The new guidelines therefore contain no "shadow-pricing" in favour of assisted areas; but they do require departments contemplating relocation to give the territorial and regional policy departments an opportunity to suggest locations, the most favourable of which at least must be included in the costed options put to their Minister for decision. The guidelines also include a new provision enabling departments to seek temporary running costs easement in the Survey to help with the transitional cost of relocation.

7. Territorial and regional policy colleagues are content with the draft Parliamentary answer and with the guidelines, although Malcolm Rifkind would prefer to place responsibility for monitoring the policy in the hands of a special unit modelled on the Deregulation Unit. This would be inconsistent with our policies for devolving management decisions to departments wherever possible; and, for agencies, it would flatly contradict the whole thrust of "Next Steps". E(A) Committee's decision that "the case for any specific moves on operational efficiency grounds should be pursued in the normal way as a matter of good management

and best use of resources ...[and not] on regional policy grounds alone" fully reflected the need for departments to manage their resources. The guidelines give a role to the territorial and regional policy departments; and to the Treasury in monitoring departments' own reviews. It would be retrograde and unnecessary to add further central machinery.

8. The guidelines also reflect points made in consultation with departmental managements at official level.

9. In consulting the Council of Civil Service Unions, my officials will make clear that these guidelines represent settled Government policy. They will, however, indicate a willingness to carry forward two assurances given to staff in connection with the 1979 dispersal programme:

- that individual staff subject to the mobility obligation will wherever possible be relocated only if they consent; and

- that for staff not subject to the mobility obligation - mainly clerical and industrial staff - whose jobs are relocated, every effort will be made to find alternative jobs in or near their present localities, in preference to making them redundant.

With these assurances, we do not expect opposition to the general policy from most unions.

Local Pay Additions

10. You and colleagues will wish to know that we shall shortly be issuing guidance to departments on the introduction of Local Pay Additions, to enable the Civil Service to move towards a closer match between the rates paid and conditions in local pay markets. We had hoped to do this with the unions' agreement, but the entrenched opposition of some unions to geographical pay has made this impossible. All the Local Pay Additions will be within a ceiling of £600 pa. Consultation with departments established that the earlier proposal to have two maxima - £600 for London and £400 elsewhere - would be impracticable. However

we expect payments to be made only rarely outside London and the South-East.

Conclusion

11. I should be grateful for your agreement that I should announce the relocation policy through the attached written answer before the Easter Recess, and that the Treasury should at the same time promulgate the relocation guidelines to departments.

12. I am sending copies of this submission and its enclosures to members of the Cabinet, Richard Luce, Patrick Mayhew and Chris Patten; and to Sir Robin Butler.

P.B.

PETER BROOKE

ANNEX A

To ask Mr Chancellor of the Exchequer what is the outcome of the programme for dispersing Government work out of London and the South-East announced in 1979 and whether the Government intends further initiatives on the location of Civil Service work

Suggested reply

In 1979 we announced a programme designed to disperse 5,900 posts, mainly to Scotland and the North. Over 5,500 posts have been dispersed under this programme, and planning is in hand for the remainder. Over the same period and on their own initiative, departments have relocated well over 6,000 other posts out of London and the South East. About four-fifths of the Civil Service is now located outside Greater London.

No further central targets for relocation are being set, but departments will be reviewing their location of work with a view in suitable cases to finding locations offering advantages in terms of recruitment and retention of staff, value for money and other considerations relevant to service delivery and management. In their reviews, departments will consider localities which offer such advantages, including where appropriate areas which are the focus of the Government's regional and urban policies. A copy of the guidelines issued to departments for these reviews has been placed in the Library of the House.

ANNEX B

Revise of
14 March 1988

DRAFT

HER MAJESTY'S TREASURY

RUNNING COSTS GUIDANCE: LOCATION OF WORK

Introduction and Summary

A number of departments are already reviewing the location of their work with a view to meeting general management objectives including some medium and long-term running costs savings through relocation to areas of lower cost wherever possible, and to contributing to regional or local development. This paper provides advice on objectives and procedures for such reviews, which departments are now expected to undertake where they are not doing so already.

2 The location of central Government work influences its cost. Employment and accommodation costs differ considerably by geographical location. They are influenced by local property and labour markets, which may show marked variations within and between regions. Generally speaking, location in London and the South East imposes higher costs than location in other regions, though within any locality or region areas of well-established office development will often tend to be more expensive than others.

3 An important element in Government policies for evening-out the spread of employment in the regions, Scotland, Wales, Northern Ireland and inner cities, is to encourage greater market flexibility. Using running cost disciplines as a spur to relocation fits in well with these policies.

4 This paper offers guidance on trends in the markets for property and labour, on considerations of policy regarding employment and economic development, and on the cost, economic criteria and procedures that should be adopted in departmental reviews.

Reviews

5 In recent years geographical cost differences have tended to widen. Ministers have agreed that the Government as employer should take note of them and give relocation a new impetus; and all departments should now review the location of their work with the intention of securing cost-savings and providing a more even geographical distribution of Civil Service employment opportunities.

6 The criteria for these reviews should include:

- cost effectiveness in public expenditure terms, distinguishing the short and longer term costs and benefits (paragraphs 10 and 11 below)

- the wider employment and economic development effects of relocating Civil Service jobs, including consistency with Ministers' wider regional and inner city area policies (paragraph 13)

- the overall effect on operational efficiency and managerial effectiveness of such potentially conflicting factors as better recruitment and retention prospects, possible increases in communication costs, and short-term dislocation and the wider effects on staff management.

7 The focus of these reviews should be the departmental running costs element of the annual Public Expenditure Surveys, beginning in 1988. Departments not already considering location are asked to set in train review programmes as described below designed to reflect their overall management strategies and to achieve savings or better value for money from relocation. All departments are asked to report progress or their review intentions to their Treasury Expenditure Groups by the beginning of August.

8 For many departments, the reviews are likely to focus mainly on work at present located in London and the South East.

But departments should not lose sight of the potential cost and economic policy advantages of any moves from localities which are already well developed (and hence relatively expensive) to those which are less so.

9 No type of work should be exempt from review. The location of executive work (including work undertaken by "Next Steps" agencies) should be considered; and many types of policy and policy support functions do not need location close to Ministers and Parliament, particularly when modern communications technology such as video-conferencing is properly exploited.

Criteria and Objectives

Cost Criteria

10 In their relocation reviews departments should undertake a full appraisal of the costs and benefits of relocation to promising alternative sites compared to staying put. On the benefit side, departments should look at the expected future savings in employment and accommodation costs; and may be influenced by existing dispersed locations of their activities since colocation can bring cost and other advantages. In addition, the advantages of each location in terms of improved staff retention, with consequent increased efficiency and reduced training costs, should be considered. On the debit side, there will be transitional costs associated with moving; and communications and travel costs may increase, though if the full potential of information technology is exploited they may not do so in the longer-term. Costs and benefits should be realistically calculated and include margins for unforeseen contingencies such as time slippages.

11 The costs and benefits caused by relocation will be spread over time. They should therefore wherever possible be discounted to present values and should be assessed over the expected duration of the need for the accommodation, not the Survey period. Relocation should generally be proposed only if there is a positive net present value (NPV), that is to say if the present value of costs is exceeded by the present value of benefits.

The new location chosen should be the one showing the largest NPV, subject to what is said in the following paragraphs about less easily quantifiable management considerations and regional and inner city issues. Central guidance on investment appraisal can be found in "Investment Appraisal in the Public Sector: A Technical Guide for Government Departments", published by HM Treasury in 1984.

12 There may be some management aspects of location choices where costs and benefits are hard to quantify. These may include longer-term career management issues. They should be defined as objectively as possible and given appropriate weight, even where they cannot be quantified.

Regional and Inner City Considerations

13 As under existing arrangements, in considering relocations Departments should take account not only of running costs and other management objectives, but also of the Government's regional and inner cities policies. This involves early consultation with the relevant departments (see paragraph 32 below). Given the relativities between land values and overall staff costs as between the assisted/urban programme areas and London and the South East, locations in the assisted areas and inner cities are likely to compare favourably in cost terms with alternative locations outside these areas. For all major possible relocations (ie those involving more than 100 people) the department should consider any site or sites suggested by the territorial or regional policy departments within assisted or urban programme areas and include at least the most favourable of these in their list of costed options, even if it does not provide the greatest overall saving (the move however, must generate a positive NPV).

The Markets and their Influences on Cost

The Property Market

14 Annex A gives indications of geographical variations in property costs (including rates) and of where further information on them can be found. It shows, for example, that the rental

costs of new accommodation can differ by a factor of up to ten depending on locality. Departments should note that the general effect of the uniform non-domestic rate intended for introduction from April 1990 will broadly be to reduce relative non-domestic rating costs in much of the North and Midlands.

The Labour Market: Recruitment and Retention: Employment Costs

15 Relocation can offer the advantages of easier recruitment and retention, and lower employment costs in the medium and longer-term.

16 Recruitment and Retention. There is clear evidence, summarised in Annex B, that location in areas of relatively tight labour supply (mainly, though not exclusively, London and the South East) imposes avoidable costs and difficulties:

- application and take-up rates for jobs offered are both lower

- resignation rates of staff are higher.

- staff in the regions often show some reluctance to transfer to London

17 The costs incurred include:

- the higher unit costs of advertising and selection procedures where the yield of successful recruitment campaigns is relatively low

- larger training and orientation costs where wastage is high.

18 Employment Costs. The Civil Service pay structure already includes extra payments for all staff below Grade 3 working in the Inner London Weighting zone (at present £1527 per adult),

the "intermediate" zone (£876) and the outer London zone (£641). In addition, there is an allowance of £400 for secretaries in the inner London zone; a London allowance of £820 for SEO and Grade 7 accountants and up to £820 for EO and HEO accountants (depending on qualifications); a London allowance of £1,000 for Legal Officers, £1,500 for Grade 7 lawyers and £2,000 for Grade 6 lawyers (constrained by scale maximum); a London allowance of £1600 for Grade 7 Inspectors of Taxes (constrained by scale maximum) and £500 performance-related London allowance for those Grade 7 Inspectors on the scale maximum.

19 The allowances increase employment costs by proportions which vary by grade and pay rate. The increases are significant at all levels, but the proportionate increases in cost are higher for the more junior grades, e.g.

	LW		Accountants	Legal
	Inner	Outer		
	%	%	%	%
Grade 7	7.5	3.2	4.0	7.4
Legal Officer	10.5	4.4	-	6.9
EO	14.8	6.2	8.0	-
AO	21.1	8.8	-	-
AA	26.3	4.1	-	-

Notes:

Percentages based on scale maxima at 1 January 1988; the Grade 7 performance point has been excluded.

20 The existing allowances are in some circumstances proving inadequate for the recruitment and retention of staff in areas of very high labour market pressure. Following consultation with departments, HM Treasury has been consulting the Council of Civil Service Unions on the introduction of flexible Local Pay Additions which departments might make for certain staff up to Grade 4 in London and surrounding areas. Such additions

would be discretionary in award and in amount. The ceiling proposed is £600 (£700 for secretaries already receiving the Inner London Pay addition). Because of the flexible elements in these arrangements, no estimate can be made of their implications for average employment costs. However, the cost premium for an AO in Inner London receiving an addition at the maximum rate would rise from 21% to 29% and the premium for an AA from 26% to over 37%.

21 Local Pay Additions might also be made, up to a maximum of £600, to staff outside this enlarged London area where local labour market situations make this necessary.

22 Offsets. Annex B also summarises the main elements of cost to management from relocating existing staff subject to the mobility obligation. Because of the variety of individuals' circumstances, it is not possible to estimate the average costs of this kind that need to be offset against savings from relocation, though some illustrative estimates for the relocation costs of an HEO householder moving from London to Cardiff are presented in Annex B. It should be noted that

- most of the costs are transitional, being incurred on a significant scale for no more than a year or so

- the housing cost allowance (paragraph 7 of Annex B) has recently been renegotiated so that it will not be payable where an officer moves from an area of relatively high housing cost to one where prices are lower.

Communications

23 The Government telecommunications network (GTN) has nationwide coverage of voice communication and offers a cheaper alternative to the public network. This can be extended to dispersed locations provided adequate notice is given. Mr J Clarke of

the CCTA (Tel 01-217 3259) can advise departments on timescales, costs and long-term savings.

24 Departments will also need to consider their IT plans in connection with proposals for relocation. They will wish to establish whether these plans are suitable for working at dispersed locations; and if not, whether they can be changed and at what cost and within what timescale. CCTA can advise on techniques for effective visual and document transmission between departmental headquarters and dispersed locations drawing, for example, on the successful experience of the territorial departments. Departments should also bear in mind that dispersed sites are likely to increase the cost of security for data communications.

25 Proposals are currently being considered for a Government data network (GDN) to meet the needs of four major departments involving several hundred different locations in the UK. If this goes ahead, it will offer an infrastructure which can be extended to meet the needs of departments who are planning relocation. Mr D E Thomas of the CCTA (Tel 01-217 3050) can advise on this.

Reporting and Coordination

26 It is for departments and their Ministers to take decisions on the location of their work. Subject to what is said in paragraphs 31-33 below about wider interdepartmental consultation, Treasury Expenditure Groups will be the primary reporting point at the centre. Departments should, at appropriate stages (see below), inform their Expenditure Groups of the stage they have reached in their review programmes and of the outcome of each stage. Where a department seeks some running cost easement over the transitional costs of relocation (see paragraph 30 below) it will be expected to provide details of its appraisals.

27 Within the Treasury, RC1 division will coordinate the overall results of Expenditure Groups' discussions with departments and monitor overall progress on relocation policy.

Survey Procedures and Timing

28 The running costs element in each annual expenditure Survey will provide the main focus for discussion between the Treasury and departments on relocation.

29 For the 1988 Survey, all departments are asked to report to their Treasury Expenditure Groups their review progress or intentions, their plans for the future and (where applicable) the benefits already secured. Where individual proposals have already been reported, these need not be described again in detail but should be related to the department's overall location strategy. Progress will be monitored in successive Surveys.

30 Ministers have decided that all departments should plan to make annual efficiency gains equal to at least of 1½% of their running cost expenditure. Relocation may offer a valuable contribution to these savings. In cases where the prospective savings are significant but the transitional costs are on a scale difficult to accommodate within existing baseline or provision, a suitable short-term easement may be considered in Survey discussion.

Consultation

31 Consultation with the PSA is likely to be important at all stages:

(i) they will be able to warn departments about the dangers of competition for the same location;

(ii) they maintain a property database for the Government estate that provides all the information needed to act as a clearing house in matching new requirements with accommodation becoming surplus;

(iii) they are also a source of information about new developments available for lease or about new construction prospects.

32 Policy departments and PSA (contacts at Annex C) should be consulted as soon as departments have completed their preliminary review and identified blocks of work which may be suitable for relocation. These contacts will also be able to offer informal advice at other stages, as required.

33 Consultation with departmental trade union sides should be undertaken by departmental management as described in paragraph 5089 of the Establishment Officers Guide.

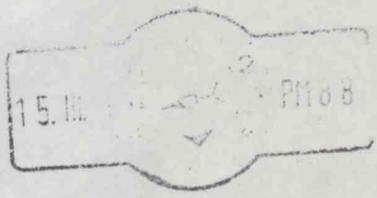
Location of New Work

34 The guidance in this paper applies equally to the location of new work which departments may undertake now or in the future.

Action and Queries

35 Departments are asked to raise any queries on this paper with their Treasury Expenditure Group, to whom they should report progress or intentions on their relocation review programme by the beginning of August.

HM TREASURY
March 1988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cc BG

Prime Minister 2

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

14 September 1987

Dear Nigel.

OUTSTATIONING AND RELOCATION OF WORK

In my letter of 28 August on civil service pay, I mentioned the two urgent studies I have set up to establish how, in the interests of effectiveness and efficiency, I can relocate some of my Headquarters and social security work away from London and the South East. It might be useful to you and other colleagues to know some of the background to my decisions.

My starting point is the Prime Minister's summing up of the E(A) discussion on 29 January of this year when she pointed to the substantial advantages to be gained from relocating offices away from London and the South East because office space was cheaper elsewhere and it was easier to recruit staff, especially higher quality staff. The initiative was to be pursued by Departmental Ministers on operational efficiency grounds as a matter of good management and best use of resources. It would not be right to undertake any more general reviews or to make moves on regional policy grounds alone. I have been pursuing the matter accordingly.

The costs of office space and our growing difficulties in recruiting and retaining clerical and executive staff create particular difficulties for the efficient running of my Headquarters scattered in 15 buildings in London and 8 buildings outside London. These difficulties are not as acute outside London but are much greater in the South East than in any other part of the country. For example, wastage from the DHSS of talented administrators, almost wholly from the fast stream at Grade 7 (Principal) level and above, has been significant: 21 have left since 1985. Over the same period, 32 professionals have also left. Replacement, with appropriate

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CIVIL SERVICE DISPERSAL PT 3

CONFIDENTIAL

E.R.



training, takes years. However successful our dispersal programme proves to be, we will continue to need civil servants of quality to provide essential support for Ministers at the centre. Furthermore, despite continuous recruitment, we have an overall deficit of about 10 per cent of the clerical workforce in Headquarters, one Division with a large clerical staff losing about a third of its staff over a recent twelve month period.

We have already identified centrally those staff who must be in day to day contact with Ministers and those who need not be. We have concluded that there is a prima facie case for allocating up to 1,000 headquarters posts outside the South East. I should concentrate on moving staff out of London and the South East, but shall not rule out some relocation within the South East if this proves the most cost-effective option. Potential savings amount to over £4 million per annum. The set up costs of dispersal should be well within the first year's savings, unless we decide to acquire new buildings. This is an ambitious target - between a fifth and a sixth of the total - and we need to test it in detail with the managers and staff concerned. But I also need to set a challenging target if we are to achieve significant relocation.

To this end I am setting up a Departmental study of the options for relocating up to 1,000 Headquarters' jobs away from London and the South East as soon as possible. I shall aim for the maximum relocation by 1990, though we may not achieve such an ambitious target. We shall complete the study within 6 months.

In parallel with the work on relocating Headquarters posts we have been examining the possibilities of further outstationing of work from the Regional Organisation. We had intended at an earlier stage to set up an Efficiency Scrutiny of the current roles and responsibilities of the three tiers of the Regional Organisation. While this appraisal needs to be done in due course, perhaps as a second stage of the Scrutiny, I think it ought to take second place to the more immediate issue of studying the current arrangements for, and location of, social security work undertaken by local offices; and the desirability of relocating some or all of these functions away from those offices, again mainly but not exclusively in London and the South East, which experience acute difficulties in recruiting and retaining especially clerical staff. For example, four of our London Regional offices have annual percentage turnover rates (ie total staff losses a year as a percentage of total staff) of 60 - 80 per cent and fourteen between 40 and 60 per cent. The Scrutiny will be conducted in the usual way, in consultation with Robin Ibbs and the Efficiency Unit, and will be completed to the same timescale as, and in parallel with, the Headquarters study.

We shall be taking care over the presentation of these proposals to our managers and staff in order to allay their fears of redundancies and compulsory transfers; and to the trades unions from whom we can expect trouble with which, of course, we shall deal in the normal way.

I am copying this letter to the Prime Minister and other members of the Cabinet, to Sir Robin Ibbs and to Sir Robert Armstrong.

JOHN MOORE

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 July 1987

MOVEMENT OF WORK OUT OF LONDON

The Prime Minister has seen, and noted, the Chancellor's minute of 29 June.

I am copying this letter to Peter Baldwinson (Department of Employment) and Paul Steeples (Department of Trade and Industry).

P A BEARPARK

A . C. S. Allan, Esq.
H. M. Treasury

MR 2/2

010

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

MOVEMENT OF WORK OUT OF LONDON

At the meeting of E(A) which you chaired on 29 January, we recognised that it was important that Departments should keep in Central London only those functions which needed to be there. We decided that Departments should bear the full equivalent commercial rent of London office space on their running costs budget.

I thought you might like to know that the Inland Revenue plan to move a substantial number of their posts out of London.

First, the work of 21 tax districts and part of the work of their Head Office Management and Technical Divisions, all located in Central London, will be moved to a number of other cities (Glasgow, Manchester, Liverpool, Leeds, Birmingham and Bristol) over a period of 4 years beginning this Autumn. A little over 300 posts are involved. The object of the move is two-fold: to reduce the worrying number of resignations of Tax Inspectors, many of which stem from the prospect of a move from lower-cost housing areas to London; and to save on escalating accomodation costs. Norman Lamont will be announcing this shortly by way of a Written Answer.

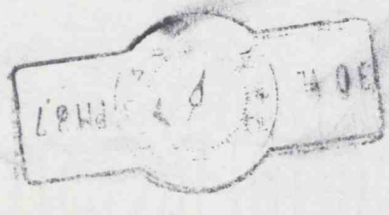
Second, about 250 people in the Revenue's Information Technology Division located in Central London will move to Basingstoke at the beginning of next year, on the termination of the lease of the building which they occupy at present. The staff involved need to be fairly close to London because much of their work is on computer projects which are being implemented in Central London. The accommodation in Basingstoke is already part of the Crown estate, is empty, and the accommodation charge will be very much less than anything available in London.

The Revenue are now looking wherever possible to locate any new work outside London and, for example, have set up the office which is to deal with the new Profit-Related Pay Scheme in Cumbernauld, Scotland.

In addition to the savings on accommodation, there are, of course, useful savings on pay in not having to pay London Weighting.

I am copying this minute to Norman Fowler and David Young.

N.L.
29 June 1987



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PRIME MINISTER

Transfer of Work to the Regions
[E(A)(87)2]

DECISIONS

The issues for decision are:

(i) whether to establish a review of the possibilities for locating more Civil Service work in the regions; and

(ii) if a review is agreed, the mechanism for taking it forward.

BACKGROUND

2. In 1974 the previous Administration announced a dispersal programme involving some 30,000 Civil Service headquerters posts. By 1979, only some 5,000 moves had been made.

3. The present Administration reviewed these plans shortly after entering office. The plans were then estimated to cost £250 million up to the end of 1983/84, and were regarded as offering dubious benefits in terms of the future efficiency of the Service. Ministers therefore agreed that a more limited programme should be pursued, comprising 2,600 moves which Ministers wished to make on efficiency grounds, together with 2,000 staff to Bootle and 2,000 staff to Scotland to honour political commitments(E(A)(79) 6th; CC(79)12th; CC(79)16th; and CC(80)11th). That dispersal programme will shortly be completed.

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4. The Paymaster General and the Minister of State, Privy Council Office have now proposed a review of the possibility of moving more work to areas of high unemployment, particularly in the North. This review would consider criteria for relocation, taking account both of operational efficiency and of employment aspects, as well as testing a number of particular options. They propose that the Paymaster General should Chair a group of junior Ministers to take this forward, and report back within two months.

THE ISSUES

5. Dispersal gives rise to questions of managerial efficiency and of regional policy. Both are reflected in the criteria suggested in paragraph 3 of E(A)(87)2. Dispersal can have advantages for Departments: office space is cheaper away from London, and it is easier to recruit and retain good staff. If a significant element of geographical variation is introduced into the pay system (proposals will be coming forward to MISC 66 shortly) the cost of salaries may be much less also. But equally there are disadvantages: more time is spent in travelling; despite new technology, it is still more difficult to transfer information and documents between various parts of Departments and with other parts of Government; and initially there is often a substantial capital cost. These factors will have to be weighed in establishing the optimum scope for dispersal from an operational point of view. The pattern of dispersal they suggest on operational and management grounds might not be that which appears most attractive on regional policy or wider political ground: it might, for example, be from London to other parts of the South-East.

6. Subject to the above considerations, there may be a case for further dispersal on regional policy grounds. But going beyond what is optimum from a managerial point of view could introduce some inefficiency into departmental operations, and the question will be whether the broader economic or other gains justify this. The review will have to cover these aspects, and it is likely that in due course some collective judgement will be necessary of where to strike the balance between the different interests.

7. Work is proceeding in parallel on the allocation of office space in the Westminster/Whitehall area, and you are to Chair a meeting of the Sub-Committee on Government Accommodation in Inner London (E(GA)) next Monday (2 February). The paper circulated by Sir Robert Armstrong for that meeting (E(GA)(87)2) recognises that demand for accommodation in this area should not be taken as read, and that there is a case for considering dispersal on managerial grounds apart from any questions of regional policy. While this is concerned only with the area immediately around Westminister, you will wish to ensure that the discussion in E(GA) takes account of any decisions reached by E(A). In particular, a strong political steer would help to ensure that Departments take account of Ministers' general thinking on dispersal.

MECHANISM FOR THE REVIEW

8. The paper by the Paymaster and Minister of State envisages that Mr Clarke might Chair a Group of junior Ministers. You will want to reflect on this, but I wonder whether, given the substantial resistance which may well be found in some Departments, such a Group would be able to make much progress. It might be better to involve more senior Ministers from the start, which would imply a more senior Chairman also. You might wish to reserve to yourself the decision on the appropriate mechanisms for carrying the review forward and consider this after the meeting with the Secretary to the Cabinet.

HANDLING

9. You will wish to invite the Paymaster General to introduce the discussion, and the Minister of State, Privy Council Office to speak second. All Departmental Ministers will have views, particularly the Secretary of State for Defence as the major Civil Service employer and the Secretary of State for the Environment as responsible for the PSA.

J B UNWIN

28 January 1987
Cabinet Office

CONFIDENTIAL

FILE
JD
cc P.S.

SUBJECT
CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

15 January, 1987.

From the Private Secretary

Dear Richard

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

The Prime Minister chaired a meeting today to discuss the next steps on this subject in the light of your Minister's minute of 10 November. In view of the sensitivity of the discussion, circulation of this note should be on a strict need-to-know basis. In addition to your Minister, those present were the Lord President, the Secretaries of State for Wales, Employment, Scotland, Trade and Industry, the Paymaster General, Chief Secretary, the Minister of State for Defence Procurement, and the Parliamentary Secretary of State, Department of the Environment. Sir Robert Armstrong and Peter Stredder of the No.10 Policy Unit were also present.

Opening the discussion, the Prime Minister said that the point was increasingly made that despite the serious problems of unemployment in the regions, the civil service was still largely based in London and the South East. It was therefore timely to consider whether more civil service work could be dispersed to the regions. It was not clear why Departments with a large administrative component needed to occupy accommodation in London except for small policy support staffs for their Ministers.

The following points were made in discussion:

1. The possibilities for dispersal had been transformed by the availability of modern technology such as video conference facilities. The private sector found it increasingly worth while to locate outside London. Against that, it was pointed out that Government work was in some respects different: the separation of Ministers and Departments could result in a sense of isolation for the latter and additional travel burdens for the former, on top of heavy Parliamentary and constituency duties.

2. On specific possibilities for dispersal to the regions, there was general agreement that a case by case appraisal of costs and benefits of individual Departmental dispersal

options would be a slow process and would encounter a significant degree of Departmental inertia.

3. Another possibility was to require all Departments to identify a certain percentage of posts which could be transferred. Yet a further approach was the more radical option of transferring certain Departments from London virtually in their entirety.

4. Particular attention needed to be paid to ensuring that the dispersal locations were attractive for the staff concerned; that the local work force possessed the necessary skills - although training programmes could help here; and that dispersals were to areas which most needed assistance. Such areas were not exclusively in the North. Certain areas of Kent, such as Thanet, and the West Country were mentioned as possibilities.

5. The introduction of regional pay would be an important incentive to dispersal. It was essential not to export London rates of pay to the regions since this could destroy jobs. There would be problems in persuading civil servants to disperse from London if this resulted in lower pay, and therefore lower pensions.

The Prime Minister summed up the meeting by saying that your Minister and the Paymaster General should produce a report on radical options which went beyond those in your Minister's minute of 10 November. The Treasury and other interested Departments should be consulted in the preparation of this paper. But before work was set in hand on this report, your Minister and the Paymaster General should submit a short paper to an early meeting of E(A) so that the necessary collective authority could be obtained for this exercise. The aim should be to produce the paper for the next meeting of E(A) on 29 January.

I am sending copies of this letter to the Private Secretries to the Lord President, the Secretaries of State for Wales, Employment, Scotland, and Trade and Industry, the Paymaster General, the Chief Secretary, the Minister of State for Defence Procurement, and the Parliamentary Under Secretary of State, Department of the Environment, and to Sir Robert Armstrong.

Yours ever

Andy

P.A. BEARPARK

Michael Stark, Esq.,
Office of the Minister for the Arts.

PRIME MINISTER 14 January 1987

TRANSFERRING GOVERNMENT WORK TO THE REGIONS

On Thursday you consider the MPO's Report on the options for transferring Government work to the regions (now that the 1979 dispersal programme is essentially complete). This report was commissioned following concern about shipbuilding closures in the North East earlier in the year.

The report proposes that in future policy on locating the work of Government departments in the regions should be based on an assessment of the costs and benefits involved. It offers several increasingly comprehensive bases for assessing these costs, numbered 1 to 5. In addition, as a way of overcoming departmental inertia, it suggests that departments should be required to assess the 10% or so of posts most susceptible to relocation.

A more visionary approach

This approach lacks vision. In any case it is only likely to lead to a dribble of jobs being transferred. Modern communications will make it increasingly feasible to transfer out of London work that formerly needed to be done there. Except where Departments need face to face contacts with clients that are preponderently located in London, we see no overriding practical objections to carrying out most work elsewhere. For example, electronic mail and video conferencing could take the place of most of the face to face and paper contact between Government departments at present.

Why not therefore consider seriously transferring the headquarters of a number of Government departments to the regions. This could be presented as a major and visible

demonstration of the Government's commitment to the regeneration of regional economies. In some ways it would be a more legitimate measure of regional policy for the Government to transfer its work than measures which involve cajoling or bribing others to move. We envisage that a whole department, including Ministers, would move to a single location in order to ensure efficient working relationships within departments. Ministers would, of course, need to retain a base in London. We have the Scottish and Welsh Offices in mind as models.

The benefits

Such a policy would have the following benefits:

- Since many junior clerical and executive staff would wish to stay in London, where they would easily find other jobs, it would create new jobs in the regions;

- it will save money if pay increasingly varies regionally;

- locally recruited staff are likely to be of better quality and stay longer than the staff they replace;

- It would have obvious symbolic value;

- It would give new social status to the chosen cities and regions;

- It would create related jobs, serving the demands of the relatively well paid individuals who decided to move.

There would be benefits too for those civil servants who moved, including lower housing costs, shorter travelling

time, more status in the community and easier access to beautiful countryside.

Costing

This approach should be adopted only if the costs are acceptable in relation to the benefits and it can be implemented without significantly impairing the efficient operation of the Civil Service. The weakness of the present report is that it does not provide a framework in which these factors can be considered properly:

- It considers only partial transfers. These are likely to cost more than our proposal because of the loss of ready communication between divisions;

- The costs are much easier to quantify than the benefits;

- Those involved in making costings have a vested interest in the status quo.

Recommendation

No action should be taken on the report at this stage. Consultants should be commissioned to look at the costs and benefits of transferring the work of, say, 5 Government departments (Employment, Trade and Industry, DHSS, Education and Environment?), to the regions (Birmingham, Manchester, Liverpool, Leeds and Newcastle?).

Peter Stredder

PETER STREDDER

PRIME MINISTER

TRANSFER OF GOVERNMENT WORK TO REGIONS

You have a meeting tomorrow after Cabinet to agree policy on the transfer of departmental work for the benefit of the regions (the old dispersal policy). Most departments will be represented (weather permitting) but the prime movers are the Secretary of State for Employment, Scotland and Wales who all support further transfers, the Chief Secretary who is concerned to avoid adding to Public Expenditure, and Mr. Luce who has been responsible for the coordinating work.

The basis of the meeting is the report you commissioned last year by the MPO. This is in the folder with a covering minute by Richard Luce. A handling brief by Sir Robert Armstrong is immediately below this note, as are comments by the Chief Secretary and Secretary of State for Employment.

The options between which you are being asked to choose are as follows:

(i) "Market forces" - let Departments make their own minds up. - no such thing with govt. depts

(ii) "Extended Market forces" - takes into account cost/benefits to HMG as a whole.

(iii) "Notional incentives" - includes - notionally - financial support which would be available to private concerns.

(iv) "Wider approach" - includes weightings for desirable factors such as creating jobs in unemployment blackspots.

(v) "Cash incentives" - actually pay the money to departments.

The Cabinet Office brief describes how the various options will be viewed. But the papers do not really address the fundamental choice which is between:

> informing departments of methodology/desirable objectives for relocation but allowing them to make their own decisions in the light of efficiency/value for money
>
> OR
>
> accepting that the policy is to move jobs and that there is a price to pay for this and then deciding how much money is to be spent and how to obtain the maximum benefit from it.

Before getting into the detail of the various options you will want to discuss this, and the more radical alternatives proposed by the Policy Unit.

P.A. BEARPARK
14 January 1987

EL3BQT

Ref. A087/114

PRIME MINISTER

The Transfer of Government Work to the Regions

The purpose of the meeting is to agree a policy on the transfer of departmental work for the benefit of the regions, but not excluding depressed inner city areas in the South. The collapse of British Shipbuilders in the North East last summer prompted the Secretary of State for Employment to propose that some government work should be transferred there to provide employment. Following your request of 8 July, the Minister of State, Privy Council Office submitted a report on the subject by an interdepartmental group of officials (his minute of 10 November).

2. The report finds that the current 1979 dispersal programme is on the point of completing the achievement of its objectives. But the successive dispersal programmes have wrenched some work from areas in which it was efficiently located; and, quite apart from the dispersal programme, a similar number of jobs have moved to the regions in response to the general trend in their favour which results from market forces pressing departments to site themselves efficiently. The number of jobs to have gone to the regions has been significant in terms of the organisation of departments, but is not a large contribution to employment. The report proposes that a new policy should balance the containment of public expenditure against the requirements of the regions, and offers a range of financial appraisal options to strike this balance at different points.

Handling the Financial Options

3. The Chief Secretary will say that only Options 1 and 2 safeguard public expenditure. The Secretary of State for

RTAAFL

Employment and the Secretaries of State for Scotland and Wales are likely to prefer Options 4 and 5. They will say that Option 3 reflects current practice and that it would be insensitive to the problems of the regions not to introduce the factors in Option 4 at least. The Secretary of State for Defence and other departmental Ministers may stress that under running cost controls departments will be forced to move on efficiency grounds but should be the judge of their own efficiency.

4. Apart from choosing one of the Options, you will wish the meeting to settle the points set out in paragraph 25 of the report:

a. whether or not to require departments to find the 10 per cent of posts that would most readily lend themselves to relocation, so that possible transfers can be identified;

b. whether similar but longer term arrangements for the same purpose should be made; and

c. if Options 4 and 5 are chosen, whether further elements should be added to the financial appraisal.

Allocation of Responsibility

5. The report by officials tentatively proposes an allocation of responsibilities. I think that this is acceptable, but it will need to be tied down:

a. the Chief Secretary should chair a group of Ministers, supported by officials, to determine the framework of the financial appraisal;

b. the Secretary of State for Employment should run the exercise to find the 10 per cent of departmental work that lends itself to transfer;

c. in the longer term, and in the framework of the chosen method of financial appraisal, the new policy will require departmental Ministers to consider whether the efficiency of their department suggests a move; the Secretary of State for Employment should co-ordinate the regional viewpoint and consider which of the regions will benefit most from any potential transfers.

Presenting the Policy

6. The report proposes a package to be announced before the middle of the year, and identifies some potential transfers to be included together with a description of the new policy and a declaration of the successful completion of the 1979 dispersal programme. You will wish to consider the timing of any announcement. The Chief Secretary should be asked to ensure that his group finalises the package and that it considers urgently which of the prospective moves identified in the report should be included as definite transfers. The Minister of State, Privy Council Office, should be asked to continue to assist in this task and to smooth the transition from the current dispersal programme to the new policy.

7. A move towards regional pay for the Civil Service could reinforce the proposed policy whichever financial appraisal option is selected, if it resulted in lower employment costs for jobs in the regions.

RTA

ROBERT ARMSTRONG

12 January 1987

RTAAFL

CC/GG

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 2/5

19th December 1986

Dear Andy/ at flap.

Thank you for your letter of 10th December about a meeting on "Transfer of Government Work to Regions".

As the Defence Secretary plans to be in the Falklands on Thursday 15th January he has asked if he could be represented by Lord Trefgarne, Minister of State for Defence Procurement.

Yours Sincerely

Carolyn Whitehouse

(CAROLYN WHITEHOUSE)
Private Secretary

P A Bearpark Esq
No 10 Downing Street

Civil service. Disposal PT3.



File

JA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 December 1986

Your letter of 9 December to Caroline Ryder refers. I would have thought that MOD has a distinct interest in the "Transfer of Government Work to Regions" and would therefore wish to be represented.

(P. A. BEARPARK)

Miss Carolyn Whitehouse,
Ministry of Defence.

ECL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

SECRETARY OF STATE

MO 2/5

9th December 1986

Dear Caroline

Thank you for your letter of 27th November with regards the meeting to be held on Thursday 15th January to discuss "Transfer of Government Work to Regions".

The Defence Secretary is planning to be in the Falkland Islands from Monday 12th - Monday 19th January. You advice is sought as to whether you would wish the Defence Secretary to be represented at the meeting.

Yours sincerely

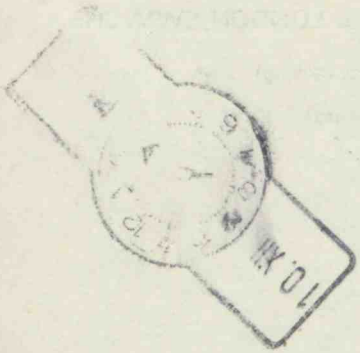
Carolyn Whitehouse

(CAROLYN WHITEHOUSE)
Private Secretary

Caroline Ryder
No 10 Downing Street

AV. SERV: Dispersal

Pt 3



C12/012

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Mrs Caroline Ryder
Private Secretary
10 Downing Street
LONDON
SW1

2 December 1986

Dear Caroline, 3/12.

Thank you for copying to me your letter of 27 November to Joan MacNaughton about the meeting on "Transfer of Government Work to Regions". Regrettably the Chancellor is unable to attend at noon on Thursday 15 January and he has asked me to convey his apologies to you. In his place, the Chief Secretary, who has been in the lead on this subject, will attend the meeting.

Yours ever,

Debbie Lester

MRS D C LESTER
Diary Secretary



CIVIL SERVICE

DISPERSAL

PT3

SG/F80

CC BS

Prime Minister 2.

The meeting is arranged for mid-January. You may like to just glance at them.

PAS 2/12

PRIME MINISTER

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Richard Luce minuted on 10 November with copy of his report, suggesting that a group of Ministers should be convened to reach decisions on the issues he raises. I agree that this is the right way forward.

I have also seen your reply and that of John MacGregor who comments on the substance of the report. I very much agree with him that greater regional pay differences within the public service would improve the prospects of Departments relocating to the regions (though not necessarily to some inner city areas). I also take his point that the public expenditure cost of relocation must be an important consideration in Department's decisions. At the same time, I think it is important that we look at the wider benefits that relocation can have for Departmental recruitment and the benefits it might bring to the areas of high unemployment to which Departments move.

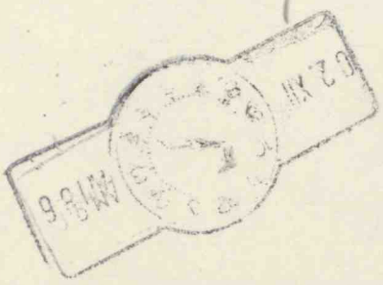
I am sure the report is right in saying that there is considerable inertia in Departmental decision-making, and the suggestions it makes to overcome this seem to me sensible. In particular, I would be happy to accept the responsibility laid

on my Department to remind other Government Departments of the regional and inner cities employment considerations which they should take into account.

Finally, the report rightly identifies the need for a "lead Department" to maintain the impetus of any policy initiative decided upon. I am sure that the administration and detailed management of the policy should fall to the Management and Personnel Office, as a central Department which looks across Government at such issues, rather than to one of the Regional Departments or to my Department. At the same time, both Kenneth Clarke, and I have a strong personal interest in this issue, and I would be happy for my Department to chair the Ministerial Group if you so wish.

Dispersal Policy: CIVIL SERVICE

R3.



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10 DOWNING STREET

Caroline.

Could I please have a meeting – 1 hr – to discuss "Transfer of Govt. work to regions"

L. Pres

S/Employment

C/Ex

S/TI

S/Env.

S/Scotland

Ch/Sec.

Lay/Gen

S/Wales

S/Defence

RTA

Richard Luce

No great panic.

Andy

Yes

10 DOWNING STREET

NLW.

Earliest date we've been able to find is 15 January after Cabinet.

Sh. ?

PAB

C.F.

Per B/F 8 January.

PAB
27/12

file SH

10 DOWNING STREET

From the Private Secretary

27 November 1986

Dear Joan,

The Prime Minister would like to hold a meeting to discuss 'Transfer of Government Work to Regions' after Cabinet at approximately 12 noon on Thursday 15 January. I would be grateful if you, and the other copy addresses, could let me know if your Secretary of State/Minister cannot attend.

I am copying this letter to Margaret Bell (Department of Employment), Debbie Lester (H M Treasury), Nicola Parkins (Department of Trade and Industry), Isobel Ogilvie (Department of the Environment), Andy Rinning (Scottish Office), Jill Rutter (Chief Secretary's Office), Christine van Schagen (Paymaster General's Office), David Powell (Welsh Office), Carolyn Whitehouse (Ministry of Defence), John Rider (Cabinet Office), and John Fuller (Mr. Luce's Office).

Yours sincerely

Caroline Ryder

CAROLINE RYDER

Miss Joan MacNaughton,
Lord President's Office

007/2767

CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 25 November 1986

PRIME MINISTER

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

I have seen Richard Luce's note of 10 November with the accompanying study by officials of what has been achieved in terms of dispersal of civil servants to the regions under this administration.

2 I agree with Richard Luce that we should not continue a policy of further "wrenched" dispersals. Paragraph 9 shows that it is not possible to demonstrate that breakeven has been or will be achieved within a reasonable timescale; and that in order to achieve targets moves have been made which have led to actual losses in efficiency. Moreover while evidence of the benefits to the receiving region is lacking, there is evidence of positive harm resulting from such moves. Moves which Departments have decided to make in the normal course of events have had as big an impact, without these detrimental effects.

3 I am content that a group of Ministers should be convened to look at the preferred course. But I believe that we must continue to bear firmly in mind the overall public expenditure position and look at each departmental case on its merits. That is the course which offers the greatest potential benefit to the receiving regions, runs least risk to public expenditure and is likely to provide the greatest efficiency. I am not attracted to those ideas set out in options 3) to 5) which would add to public expenditure. I do not see why we should assess the move of a Government Department to a region more favourably than a move of, say, an insurance company or a bank which would not be eligible for RDGs. Moreover, the assessment of notional costs that is part of current location policy has no impact on public

expenditure, because it is used to choose between locations where the decision to move has already been taken and the department contains the cost within its running costs. Any attempt to make such assessments part of the initial decision to move would inevitably increase pressure on public expenditure and should be resisted.

4 What the report does bring out is the vital need to move towards a pay structure which incorporates greater regional differentials. That, in itself, would have a positive effect on the relative attractiveness of the regions where such unemployment is higher, and would make it more likely that a move to regions would show a positive benefit to a department because it would be able to take advantage of lower labour costs. That would reinforce the existing trend toward dispersal.

5 I am also not convinced that we should try to make much of the relocation of a further 1,200 to 2,400 posts which are embodied in existing plans. That number is insufficient to make any marked impact on regional unemployment levels, and would not be seen as a positive "gain" by those who advocate the regional dispersal approach.

6 I am copying this minute to Willie Whitelaw, David Young, Paul Channon, Nicholas Ridley, Malcolm Rifkind, Kenneth Clarke, Nick Edwards, George Younger and to Sir Robert Armstrong.

JOHN MacGREGOR

Civil Service: Disposal PTB



CONFIDENTIAL file

OA 53

10 DOWNING STREET

From the Principal Private Secretary

24 November 1986

Dear Michael

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

The Prime Minister has seen your Minister's minute of 10 November and agrees that there should be a meeting to reach decisions on the next steps in the transfer of Government work to the regions. Our office will be in touch with yours, and those of the other Ministers to whom your Minister copied his minute, to arrange a meeting.

I am sending a copy of this letter to Joan MacNaughton (Lord President's Office), Alex Allan (HM Treasury), John Turner (Department of Employment), Timothy Walker (Department of Trade and Industry), Robin Young (Department of the Environment), Robert Gordon (Scottish Office), Colin Williams (Welsh Office) John Howe (Ministry of Defence), Chris Capella (Paymaster General's Office) and to Jill Rutter (Chief Secretary's Office). A copy also goes to Trevor Woolley (Cabinet Office).

Yours ever

Nigel Wicks

(N. L. WICKS)

Michael Stark, Esq.,
Office of the Minister for the Arts.

CONFIDENTIAL

OA

Civil Service Disposal PT3.

10 DOWNING STREET

A. B.

Could you pl arrange a meeting of those to whom PM hence copied his minute (+ himself)*.

Could you also pl do a handling brief for the PM for

x Policy Unit

the meeting, which among other things, takes in the points in my minute below. You will need to summarize main points at issue in the report.

N. C. W.

21:11

PRIME MINISTER

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

In his minute at Flag A Mr. Luce responds to your remit on the prospects for further dispersal of Government work to the regions. He suggests that there should be a meeting to consider the report by officials at Flag B and to decide the preferred option for a new policy. The report is summarised in paragraphs 1-3 and the five options for revised policy are set out in paragraphs 16-23.

I recommend that you have the meeting proposed. Agree? Yes MT

On the substance of the report:

1. Its general message seems to be that relocation has been successful in terms of proposed use but the financial benefits - if any - are still some way off. Some of the "mid way" options in paragraph 16 are rather vague. The choice is really between either -

> informing departments of methodology/desirable objectives for the relocation but letting them make their own decisions in the light of efficiency/value for money requirements;
>
> OR
>
> accepting that the policy is to move jobs and that there is a price to pay for this and then deciding how much money is to be spent and how to obtain the maximum benefit from it.

Once Ministers have decided between these two basic choices, the implementation of a relocation policy would follow.

2. The report does not, understandably, assess the scope for relocation if there were regional pay in the Civil Service. Prima facie, this would reduce the public expenditure cost of

relocation and give departments more of an incentive to do it.

3. The Policy Unit in the note attached at Flag B suggests "more radical options". You can deploy these options at the meeting.

So, agree to have a meeting to discuss this report?

N.L.W

NLW
21 November 1986

PRIME MINISTER

20 November 1986

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

You commissioned this report following David Young's suggestion that the PSA be transferred to Middlesborough. However, the report produced is a totally inadequate response; unimaginative, pedestrian and theoretical. It lacks any vision of what might be accomplished and shows no will to achieve it.

Its basic recommendation is that the case for transfers to the regions should be based on the financial costs and benefits to the department concerned ignoring any wider issues. A group of Ministers would be established to implement this recommendation.

It is vital that you consider more radical options. You might start by considering transferring the entire headquarters of a Government Department to the regions. The Scottish and Welsh Offices function effectively on that basis and there is no reason in principle why departments with a major regional presence such as DTI, DOE, MOD or DHSS should not be transferred. Modern telecommunications make such transfers ever more practicable without loss of efficiency. Indeed there could be gains from easier staff recruitment and more practical advice to Ministers based on closer contact with the real world.

A less radical option, that should also be explored, is to move out of London those functions that are not tied to London or involve considerable staff travel already. The MOD Procurement Executive, who spend much time travelling to see contractors, is an obvious case as is the Patents Office which has a large clerical and administrative function.

These options need to be explored first on the basis of a proper analysis of which offices really need to be located in London. The parallels of the Scottish and Welsh Offices and MSC in Sheffield should be used as a testing benchmark. It should not be assumed that the mistakes of past transfers will be repeated in future. The problems of staff who have to move should be treated generously and imaginatively. There may well be financial costs involved but these need to be weighed against the costs of alternative regional policy measures.

Conclusions

The report by officials is a thoroughly inadequate basis for deciding future policy on transferring government work to the regions. A more imaginative approach would start by examining the feasibility of moving major departmental headquarters. Failing that, there are still substantial blocks of work located in Greater London and the South East that could be transferred. There may be costs in such transfers but provided they are not excessive they may be a reasonable price to pay.

You should ask for further work to be done along these lines.

Peter Stredder

PETER STREDDER

file PAB

Mr. Wicks

The general message seems to be that relocation has been successful in terms of numbers moved; but the financial benefits - if any - are still some way off. Some of the "mid-way" options look rather unfair. Surely one should either inform departments of methodologies/desirable objectives etc, but let them make their own decisions in the light of efficiency/VFM requirements. Or accept that the policy is to move jobs and accept that there is a price to pay for this - then the question is how much money is to be spent and how to obtain the maximum benefit from it.

PAB
18 November 1986

(Transfer of work to Regions)

PROFESSOR GRIFFITHS

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

I should be grateful for some Policy Unit appraisal of the approach suggested in Mr. Luce's minute below, and its accompanying report, to the future transfer of Government work to the regions. (Please return the report since it is our only copy).

Please could we have advice by Thursday 20 November so that this can go into the Prime Minister's next weekend box.

N. L. Wicks

14 November 1986

DG2BNP

CONFIDENTIAL

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

10 November 1986

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

You asked for a quick confidential study to be carried out on what has been achieved to disperse Government work during the period of this Government, on the prospects and what further might be done. Officials in MPO have led a small inter-departmental group which has produced the attached report. There is a short summary at the beginning.

2. The report shows that the 1979 dispersal programme can soon be declared to be effectively complete and to that extent can be regarded as successful. I should like to make an announcement about this soon, as there is increasing Parliamentary interest in dispersal and relocation to the regions. But it will be important for any statement to include our intentions on future policy for the movement of Government work to the regions and inner cities, and to indicate the prospects in terms of job moves over the next two or three years.

3. The report comes down firmly against any further 'wrenched' dispersal programmes as such. Instead, a more flexible policy should be developed based on continuing assessment and relocation of work whenever the cost efficiency becomes clear enough to justify a move, and taking into account regional, urban and inner city employment policies in determining appropriate locations. A number of options are presented for influencing such location and relocation decisions by departments and balancing the needs of the regions with the requirement to contain public expenditure. Essentially the more ambitious the policy, the more costly it is likely to be, at least in the short to medium term.

4. The report demonstrates that there has been a tendency to shift Government work to the regions over and above the dispersal programmes: the new location policy which should build on this trend carries with it the prospects of quite substantial movements of jobs in the future, depending upon what can be afforded.

5. This general approach strikes me as sensible: it is demonstrably even-handed and likely to be more cost-effective than further dispersal; it would provide flexibility where little was possible after past dispersal programmes were set; and it should ensure that emergent regional and urban needs are more effectively catered for.

6. We will need to take a collective decision on our preferred option for the new policy and some further work will then be necessary to devise the detailed arrangements. I commend the report to you as a good basis for taking this forward. If you agree, a group of Ministers might be convened as recommended in paragraph 26 to reach decisions as quickly as possible.

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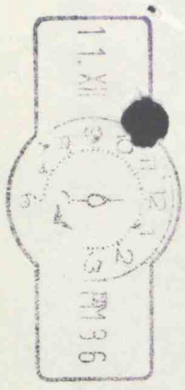

7. I am copying this letter to Willie Whitelaw, David Young, Nigel Lawson, Paul Channon, Nicholas Ridley, Malcolm Rifkind, John MacGregor, Kenneth Clarke, Nicholas Edwards, George Younger and to Sir Robert Armstrong.

Richard Luce

RICHARD LUCE

Civil Service: Disposal Policy PT3.

CONFIDENTIAL

CONFIDENTIAL REPORT
TO THE PRIME MINISTER
ON
THE TRANSFER OF GOVERNMENT WORK
TO THE REGIONS

Study by an inter-departmental group of officials

Report presented by Miss A E Mueller, CB,
Second Permanent Secretary

CABINET OFFICE (MPO)

OCTOBER 1986

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REPORT ON THE TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Summary

1. This report is in response to the Prime Minister's request of 8 July 1986 for a short study on what has been achieved to disperse Government work during the period of this Government, on the prospects and on what further might be done.

2. The study was led by MPO and has also involved the Treasury, the Departments of Employment, Trade and Industry and Environment (including PSA), the Scottish and Welsh Offices and the Ministry of Defence.

3. The report considers both the present dispersal and wider "location" policies and concludes that:

- the current dispersal programme could be declared to be effectively and successfully at an end: some 5,900 posts since 1979;

- for the future there should be a unified policy governing the transfer of government work. Set out is a range of options for a revised policy, based on present "location" policy, and designed to operate within the framework of running cost control and to bring efficiency and public expenditure considerations effectively alongside the Government's policies for regional and urban employment. It would work essentially with the grain of market forces and there should be no further "wrenched dispersals";

- the new policy should be worked out in detail as soon as possible and announced together with a declaration that the 1979 dispersal programme is effectively complete;

- certain transfers identified in this report or arising as a consequence of the revised policy should be packaged for announcement at the same time: this could show that over the next three years or so, between 1,200 and 4,200 posts might go to the regions depending largely upon decisions to be taken by Ministers.

THE TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Achievements in dispersal to date

1. The Government has transferred its work to the regions in two ways. In 1979 a discrete programme to disperse 5,900 posts followed two earlier and similar programmes and is still in force; and since the review of regional economic policy in 1983 there has been a wider "location" policy regulating the location of new, and the relocation of existing, work.* The paper at Annex A describes the progress to date of both the 1979 dispersal programme and the current location policy. Supporting tables appear at Annexes B to H. It also concludes that there has been a secular trend for Government work to leave the South East. This trend would have occurred to some extent even in the absence of the two most recent dispersal programmes and the 1983 location policy (Annex A paragraph 16 et seq).

2. With the recent transfer of further MoD posts to Glasgow the current dispersal programme has achieved 5,547 posts and is thus 94% complete. A timetable for progress on the current programme is at Annex D. No additional moves are scheduled until late 1987. This means that once allowance has been made for the agreed loss to the programme of some 117 posts from ECGD and the addition of a variable number of posts from the Passport Office, some 211 - 302 further posts should be achievable by 1989, representing a maximum overall achievement rate of over 99%. These posts cannot be dispersed earlier than the scheduled dates, which depend on the construction of accommodation. PSA also has a residual commitment to send 37 posts to complete 100 to Bootle which remains to be fulfilled. The prospects of achieving this are now uncertain, but even this small balance could yet prove necessary to the completion of the programme and PSA might continue to be pressed to find suitable posts to meet their commitment. Then some 211 - 339 posts could be available to complete the dispersal programme. The Government can take credit for successfully hitting the target number of posts, and given the reasons why the small balance of outstanding posts though earmarked will not actually be dispersed until 1989, an announcement in these terms could be made as soon as a replacement policy has been formed.

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*In recent years it has been found helpful to apply the word 'disperse' only to moves taking place under the dispersal programmes and to use terms such as 'transfer' or 'relocate' in respect of all other moves.

Objectives of regional and related policies

3. The principal objective of regional policies is to influence the distribution of industry within the country and thereby to help reduce regional imbalances in employment opportunities, and the most relevant urban policy objective is to improve employment prospects in the inner cities by increasing both job opportunities and the ability of those who live there to compete for them. The two objectives are broadly compatible in that areas benefitting from urban policy initiatives are located mainly, but not exclusively, in the assisted regions. Urban policy provides the locational fine tuning.

4. The 1979 dispersal programme was formulated with the objectives of bringing the dispersal commitments inherited by this Government on taking office within its affordable public expenditure limits and of continuing to meet the then particularly pressing needs of Merseyside and West Scotland (with less regard to the prospective efficiency of such moves). To the extent that the 1979 dispersal programme continued to relieve unemployment in the regions it can be regarded as contributing to regional policy.

5. The 1983 location policy on the other hand was designed from the start to form part of regional policy and also to take account of urban and inner city development policies. Location policy objectives are broadly to ensure that when a department is considering relocation of existing work or location of new work, this is placed where first, it will provide the required level of operational efficiency; and second, it will meet regional and urban employment needs to the greatest possible extent.

6. **Prospects under current location policy**. Under the location policy, the central departments already know of some 1,200 posts that might go to the regions in the next three years, (Annex E). It is reasonable to conjecture on the basis of recent experience that about 500 further posts will emerge over that period for consideration under the location policy. It cannot be assumed that all 1,700 posts will in fact leave the South or go to areas of greatest need. Nor is it possible to estimate reliably how many moves in the opposite direction may be in prospect, but the available evidence suggests that they will probably not be significant.

7. In addition to these posts the central departments are aware of the following proposals:

- the current review by the Ministry of Defence of its Quality Assurance operation may lead to the transfer of 1,500 or so posts from the South East to another region, at a cost of some £80m of which only one quarter is at present available in the Defence budget;

- an unknown number of PSA posts might be dispersed from Croydon to Middlesbrough, but operational and efficiency arguments against doing so have been expressed;

- the location of the proposed National Council for Vocational Qualifications (NCVQ) involving some 60 new posts is under consideration. But DEm (the sponsoring department) strongly prefers to place this work on the 'fringes of central London';

- the Land Registry which has pursued a policy since 1955 of progressively establishing regional offices, has recently decided to look afresh at the scope for some further transfers away from London. Its most recent proposal is to create an office in Hull which should provide some 150 posts within eighteen months. It also has plans for further expansions of work which could bring more than 1,000 additional posts to the regions within 5 years.

Accordingly, there is the prospect under current location policy, and independent of any dispersal programme, of a continuation of the trend for departmental work to leave the South East and for new work to be located elsewhere, usually in urban areas.

What more should be done?

8. With the completion of the 1979 dispersal programme the opportunity exists to formulate a new policy for the future. The key questions to be asked in framing this policy are:

a) have the dispersal programme and the location policy had the effect of improving departmental efficiency?

b) has their effect on the regional economy been beneficial?

9. Although the target of 5,900 posts from London is now almost met, there is only limited evidence for the success of the dispersal programme:

- it has not been possible to demonstrate that break-even on the investment made in dispersing work has been or will be achieved in a reasonable length of time. Positive improvements in efficiency cannot yet be claimed for the programme as a whole; indeed there is some evidence of loss of efficiency, arising from the decision to "wrench" the programme in order to achieve pre-determined totals;

- the secular trend of transfers arising from considerations of departmental efficiency has probably had as big an impact on the movement of departmental work to the regions as the dispersal programme itself; and

- evidence is lacking on how far dispersal has benefited the regions; and there are indications that some unintended consequences have been harmful.

These statements are supported by the conclusions at Annex A, paragraph 18.

10. Location policy, however, avoids the problems of the dispersal programme:

- those cases that have been seen by the central departments have undergone a better analysis of potential costs and benefits, related to the specific circumstances of the case rather than the dictates of a pre-determined and increasingly out of date plan; the consequence has been greater confidence that departmental efficiency has benefited or will benefit from moves that have gone ahead;

- on the other hand location policy has not generally led to a decision to locate staff different from that which the employing department originally intended. The absence of direct pressure from regional policies may have left departments without adequate stimulus to consider whether continued location in London and the South is justified.

11. It has been found that the regions have been proportionately less affected by the contraction of the Civil Service. Although a proportionate bias toward the South as a whole still exists, this is not sufficiently large to make the case for further "wrenched" dispersal of posts. Accordingly the rest of this report proceeds on the assumption that the existing dispersal programme should

be drawn to a conclusion in the terms proposed in paragraph 2 above and that there should be no further programmes which involve wrenched dispersals. The objective should be to achieve the right balance between departmental operational efficiency and the requirements of regional urban and inner cities policies. This balance should be responsive both to any changes in priority given to employment in different locations, and to changes in the factors entering the financial appraisal, for example the effect on relative costs were regional pay to be introduced in the Civil Service.

12. In more detail the objectives should be to ensure that:

1) the cost effectiveness of any move (taking account of effects both on the moving department and on other departments) has been adequately demonstrated by a full financial appraisal, taking due account of such factors as any costs arising from disruption, and any savings from rationalisation or colocation;

2) any move justified under 1) is examined in the context of policies for employment in the different regions or in urban areas, so that it can go to the location which it is felt will benefit most; this might include a move to depressed urban areas which are themselves within relatively prosperous regions;

3) the analyses at 1) and 2) take full account of any assistance, typically in the form of Regional Development Grant and Regional Selective Assistance, that might be available to a private firm in a similar situation to the moving department under regional employment and development policies or from other sources (eg Local Authority incentives);

4) whilst running cost control should put continuing pressure on departments to consider the advantages of transferring posts to the regions, this should be reinforced by those departments responsible for promoting the Government's policies for regional employment and development; and,

5) these objectives extend not only to government departments, but also to non departmental public bodies (NDPBs) and the wider public services.

13. The paragraphs below describe how existing location policy could be developed to meet these objectives and ensure appropriate

responses both to regional and urban needs and to pressures for improved efficiency.

Allocation of responsibilities

14. The transactions leading to a decision to relocate should be conducted by each employing department on the one hand and the departments responsible for employment and development in the regions on the other. These are seen as investment projects to achieve cost reductions and the framework for the decision-makaing process will be set bv the Treasury. Accordingly the allocation of responsibilities should be as follows:

1) DEm and DTI, in association as necessary with the other regional departments (DOE, the Scottish and Welsh Offices), will jointly wish to ensure that departments are fully aware of the Government's policies for employment and development in the regions and urban areas. They may also wish actively to propose to other departments that existing or new functions should be considered for location in the regions. Domestically they will be subject to the same procedures. There may be a case for giving a single department prime responsibility for maintaining the impetus of the new policy;

2) employing departments generally will be responsible for the analysis of the cost efficiency of their proposed moves within running cost controls; and for providing an assessment of the benefit to regions of any proposals to move;

3) the Treasury will continue to administer the running cost controls. It will draw up and disseminate criteria for the financial appraisal of the effectiveness of proposed moves for the guidance of departments under 2) above. It will consider with departments in the context of the annual Public Expenditure Survey any case for increase in running costs to cover the short term additional costs that are often the precondition of moving at all. This will be subject to prevailing Government policy on public expenditure and the extent to which Ministers intend that new money should be assigned to transfers of government work in pursuance of regional and urban policies. The Treasury will also give guidance to departments on the net costs of transferring staff from one location to another;

4) the Cabinet Office (MPO) will continue to provide guidance to departments on the personnel aspects of proposed and actual moves.

Procedures and options within the revised policy

15. To give effect to the revised policy more detailed procedures will need to be worked out. Announcement of the revised policy should accompany publication of the successful completion of the 1979 programme (paragraph 2 above). At the same time a package of new transfers could be announced consisting of any of those listed at paragraph 6 and 7 above whose viability survives under the terms of the new policy, and any further transfers identified in the interim (possibly under the procedures suggested in paragraph 25 below) and that satisfies the requirements of the revised policy.

The options

16. There are five broad options from which a revised policy can be formulated:

- Option 1 - a basic 'market forces' approach in which would feature the quantifiable benefits and running costs bearing directly upon the locating department;

- Option 2 - an extended 'market forces' approach which would take account of all quantifiable benefits and running costs bearing upon the Exchequer as a whole;

- Option 3 - a 'notional incentives' approach which would in addition take into account the financial support available to the private sector. (This, with the costs and benefits bearing upon the locating department only, is used in the consideration of cases under present location policy);

- Option 4 - a wider approach which would also include less accessible or less readily measurable costs and benefits, not necessarily felt directly by the locating department or by it alone; and

- Option 5 - a cash incentives approach which might more directly influence and enable departments to undertake transfers of work.

These options, with some refinements including means of conquering inertia are discussed more fully below. Insofar as these might be introduced progressively the implications for short term public expenditure would correspondingly increase.

17. **Option 1 - A basic 'market forces' approach**. It would be possible to conclude that no special measures should be taken to reinforce what is happening already in the shift of work to the regions and that departments should be left to take re-location decisions according to their financial assessments of their own best interest. Running cost controls should exert continuing pressure to seek cost reductions, including any following from transfer to the regions. On this basis transfers should proceed:

- only when they can be achieved within existing public expenditure limits; or

- when there is sufficient assurance of pay-back to justify the usually considerable initial and medium term costs, and to convince the relevant Treasury Expenditure Division that the department has insufficient funds, even with a reassessment of its priorities, and that departmental financial provision should be boosted for this purpose.

18. This basic position would involve taking account only of the costs and benefits directly affecting the locating department itself. Usually these would mainly accrue from staff and accommodation cost differentials and from other efficiency gains inherent in the proposed move. Moves away from the relatively high cost London area still offer the most obvious prospect of potential benefit on this basis.

19. **Option 2 - An extended 'market forces' aproach** would, in addition take into account any other quantifiable costs and benefits which bear directly upon the Exchequer (but not directly upon the department itself). Examples could be the availability or otherwise of a vacant building on PSA's books in the destination location, or the provision of development land by a Local Authority which might permit a more advantageous deal to be struck or enable a move that was otherwise impractical to take place. If a move became cost justified only by inclusion of such benefits then relevant net additions to the locating department's running costs could become necessary to enable the transfer of work to proceed.

20. **Option 3 - A notional incentives approach** would additionally include the financial support that may be available to a private concern undertaking a similar move. Under the existing location policy such figures, typically in the form of Regional Development Grant (RDG) and Regional Selective Assistance (RSA), are reckoned notionally. Because they accordingly have had no real impact on departmental running costs, they may not have constituted as real an incentive to relocation as they have in the private sector; they do however constitute a proxy (more or less satisfactory from different viewpoints) for the wider benefits to the local economy of the transfer of posts. Such an assessment would help to point to preferred choices between alternative regional choices.

21. **Option 4 - A wider approach**. It is arguable that assessing potential transfers in the context of the direct financial advantage to the department and to the Exchequer is too narrow an approach and also that the notional allowances are not a good enough proxy for the wider benefits. While accepting that a financial assessment must underlie any decision to transfer existing, or to site new, work, the departments responsible for regional employment and urban development would wish to widen the basis of decision making. Among the factors they wish to see taken into account in the overall reckoning are:

- a weighting to be given to the destination region/urabn area which should usually include a factor which reflects the relatively greater worth of jobs transferred from comparatively well off areas; and
- any net reduction in claims on unemployment benefit in cases where more jobs are gained in the reception area than are lost in the exporting area.

22. The weight to be given to such factors where their inclusion might lead to the acceptance of a potential transfer at the cost of an increase in total public expenditure - in effect an increase in public expenditure in support of regional and urban employment policy objectives - will need to be further considered by Treasury and the departments involved (principally, DEm, DTI, the Scottish and Welsh Offices and DoE).

23. **Option 5 - A cash incentives approach**. An alternative to the notional incentives approach in option 3 would be to pay departments the relevant grants in cash. It could be argued that the incentive

effects of such payments would be much greater than a merely notional allowance which does not actually contribute to meeting the usually high initial costs of relocation. But there are considerable obstacles to such a course. In cases in which such payments would tip the balance in favour of a move there would be a net addition to public expenditure. Ministers would need to be satisfied that such an addition was justified in the present constrained public expenditure climate where the case for any additional provision has to be balanced against other competing claims. There would be legislative and other difficulties relating to the eligibility of government departments for assistance designed with other recipients in mind. Similar considerations would apply to cash payments as opposed to benefits in kind from Local Authorities.

Financial implications

24. However, it should be recognised that whatever option or combination of options is employed, there will usually be real additional expenditure by departments involved in achieving relocations of work. As with the recently introduced arrangements for repayment of allied services, it is probably the case that the more financial support is directly felt, the greater the likelihood that disincentive against moving at all will be overcome. Such initial expenditure should be recouped in time from benefits of the improved efficiency which prompted relocation. But past experience of dispersal has shown that the period before break-even point is reached can exceed 10 years. A key issue in considering the prospects for securing future transfers of work is therefore likely to be the availability of extra funds to finance them. Such cases may require collective consideration by Ministers.

Further proposals to enhance effectiveness

25. Additional measures to help overcome departmental inertia could be combined with any of these options. Those which should be considered include:

a) as an initial exercise, departments could be asked by a lead department on behalf of the regional departments to identify from within those Headquarters or other units of work not directly serving the local population the 10% of posts which would most readily lend themselves to relocation. This would help to overcome the inertia that the regional departments suspect may have artificially restricted the number

of transfers in recent years. Promising candidates would be judged against the criteria of the revised policy. The disadvantage of such an approach would be the burden that it would place on departments' headquarters' divisions. But, if Ministers thought it justified the exercise, or its results, could be announced at the same time as the announcement of the revised policy;

b) thereafter, as part of a continuing cycle, regional departments could monitor the contributions actually made by individual departments within the initial 10% exercise and at yearly intervals prompt departments to give fresh consideration to the question of relocation, and possibly then to agree some specific targets, having regard to changing needs in the regions;

c) an additional measure representing the relative qualitative worth of posts in different regions or urban areas could be provided to reflect, for example, improved recruitment, retention and potential performance of staff at key levels and to translate that in terms of expected financial benefit to departments on undertaking a transfer of work;

d) the opportunities offered by new technology to reduce the potential damage to communications and consequent costs arising from relocation could also be drawn positively to departments' attention.

Ministerial direction and evaluation

26. Direction should be given to the resolution of the issues set out in paragraphs 16 - 25 above by a group of Ministers supported by a group of officials from the departments directly concerned (Treasury, DEm, DTI, the Scottish and Welsh Offices, and DoE); large departments, such as MoD and DHSS might also be involved in order that issues of practical departmental efficiency are not overlooked. Similar machinery could be retained to consider particular cases of difficulty and to oversee the proposed annual review of progress.

27. When the procedural issues have been resolved (and anyway before the middle of 1987) it will be possible to announce simultaneously

a) the successful end of the 1979 programme;

b) a description of the policy to be followed in the future, as set out in this report and subsequently developed;

c) a package of the relocations likely to benefit the regions and target urban areas, containing

- to the extent that they meet the criteria of the revised policy, those potential relocations listed in paragraphs 6 and 7 above; and

- any further relocations that have come to light as a result of the work proposed at paragraphs 16 - 25 above, and in particular as a consequence of the progress made with the 10% exercise (paragraph 25 a)) should one be adopted.

This package could involve between 1,200 and 3,700 posts to the regions (though not necessarily all away from the South-East) depending on decisions taken by Ministers. Plans for some of the moves are already well advanced while others are less certain at present or are still speculative. It should be possible to say that this package represents the immediate and foreseeable prospects over the next three years or so; that it is not a discrete package, as were the dispersal programme forebears; and, that the revised policy should stimulate a continuing flow of posts to the regions and areas on which urban policy is targetted in future years. It is conjectured in paragraph 6 above that some 500 further posts will emerge over this period and were these also to be included in the package, together with some proposed moves within or between regions and towards problem areas in conurbations, a total in excess of 4,200 posts could be presented. An analysis of these moves is at Annex H.

Thereafter the Government will be able to show that all departments are under continuous pressure to relocate from efficiency considerations, reinforced by regional and urban employment considerations.

28. The Committee structure in paragraph 26 above should include arrangements for the assessment of performance - what will be achieved, by when and at what cost? In terms of establishing the policy

and its procedures, the work may be evaluated by reference to the policy position described in paragraph 27 above. The criteria for evaluation thereafter should be considered by the Committee and should take account of the need to adjust to changes in the balance between departmental efficiency and the needs of the regions. But there should be continuous monitoring of progress and costs of cases, including the costs of all appraisals. The establishment of such a system will then provide the basis for future assessments of the effectiveness of the Government's policy for transferring work to the regions.

OCTOBER 1986

ANNEX A

PROGRESS UNDER THE DISPERSAL PROGRAMMES AND LOCATION POLICY

Dispersal 1963 - 86

1963 - 73

1. In the early 1960s it was evident that since the Second World War some government work had moved away from London and the South East to the regions. The first major dispersal programme, prepared in 1962 - 63 by Sir Gilbert Fleming, was intended to accentuate this favourable trend. He addressed himself primarily to work that was self-contained and could be done anywhere. Between 1963 and 1973 some 23,000 posts were dispersed. Well over half this work went to the areas then designated for assistance, particularly Scotland and Wales. By 1973 some 6,800 posts may have been in the pipeline for dispersal but their eventual fate is not certainly known because the Fleming programme was overtaken in that year.

1973 - 79

2. In 1973 Sir Henry Hardman examined 86,000 posts concerned with formulation and implementation of policy in government departments, and in offices which, while not part of central government, were closely associated with it, for example, the Research Councils. This work (not all of which was in London) could not be moved without loss of efficiency, but the conclusion was that if some loss were borne then about 30,000 posts should be dispersed over a fifteen to seventeen year period (that is, by 1989 - 90), from 20 departments and other bodies. Some 85% (25,500) of these posts were intended for the assisted areas: over 5,500 were designated for Cardiff and Newport, 6,000 for Glasgow, including East Kilbride, 4,500 for Merseyside, and 3,000 for Middlesbrough. A complete list of the proposed dispersals is at Annex B.

3. By 1979 some departments had changed their original commitments, but still intended to provide enough posts to meet the regional targets. For example, Ministry of Defence proposed that some 3,880 posts from its original commitment of 5,000 from

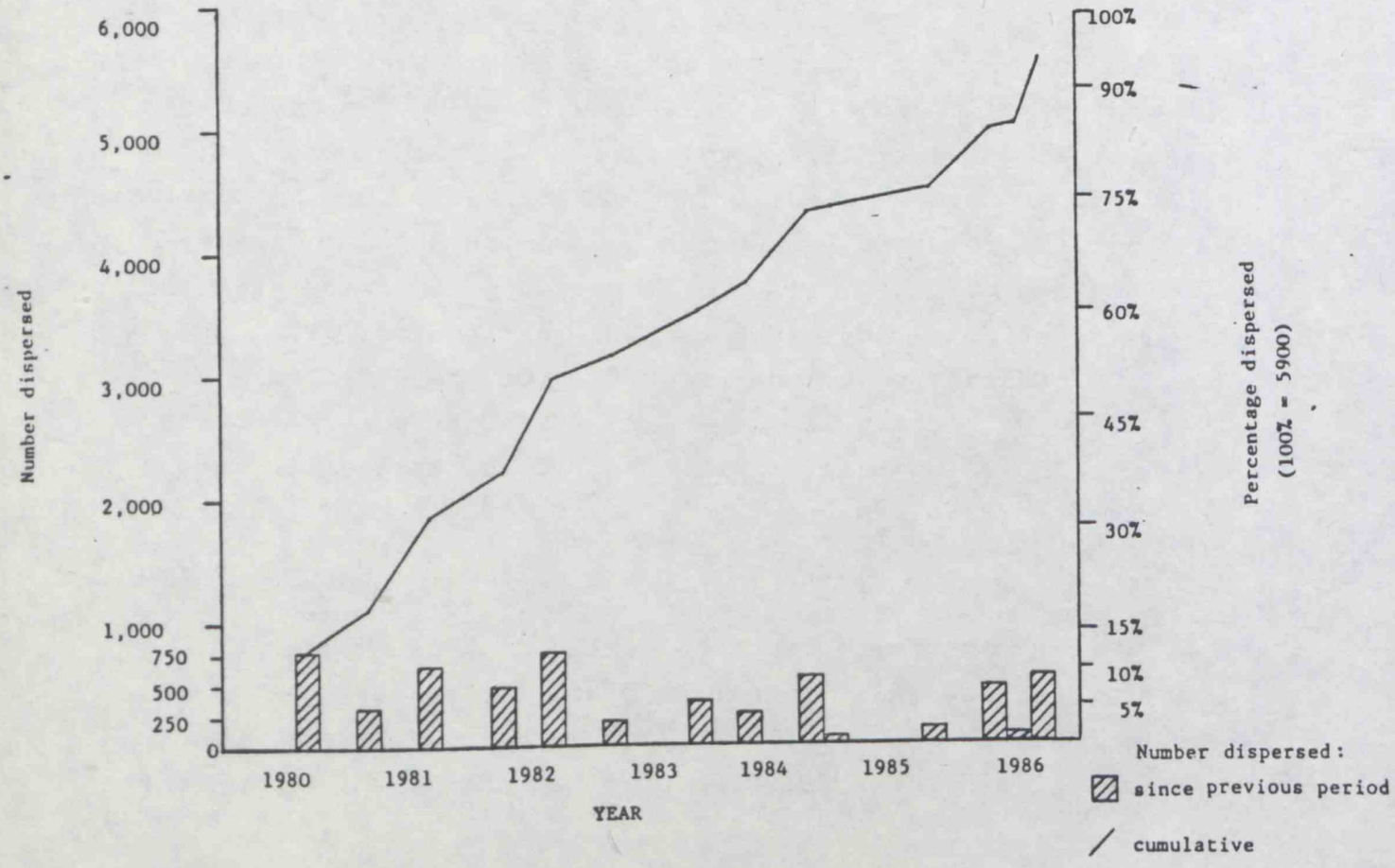
London to Glasgow should be found from locations outside the capital. The Civil Service was growing in these years, but only some 5,000 posts out of the proposed 30,000 were actually dispersed principally from the Companies Registration Office (1,000 posts to Cardiff) and the Departments of the Environment and Transport (over 1,000 posts to Bristol).

1979 - 1986

4. A revised dispersal programme was introduced in July 1979, abandoning the Hardman totals but preserving 5,900 posts all from London: 2,050 to West Scotland, 1,850 to Sheffield, 1,250 to Bootle, 550 to Cardiff and the remaining 200 to three other provincial locations. During these years the Civil Service contracted by some 20% overall, but as Figure 1 shows the programme is now some 94% complete (5,547). A list of departments' commitments and progress to date is at Annex C; and forecasts of future progress are in Annex D.

Figure 1

Progress of the 1979 Dispersal Programme



Location and relocation (other than dispersal) 1963 - 86

5. Alongside the successive programmes of dispersal there have been other transfers of existing government work, or locations of new work, to meet particular needs; for example, for reasons of operational efficiency in order to rationalise and colocate functions. Figures for the years 1963 - 73 suggest that some 10,000 posts may have been established outside London. But no continuous central records were maintained before 1983 of the numbers of posts located or relocated outside London or in what regions.

6. In 1982 and 1983 an interdepartmental official committee under Treasury chairmanship and reporting to MISC 14 reviewed regional economic policy. It recommended procedures for the cost benefit analysis of departmental proposals to relocate. Fourteen cases involving over 2,500 posts have been considered centrally while another five cases involving over 700 posts are currently being examined. As a result 691 posts have left London so far or are definitely committed, and 493 posts have moved from one region to another. A list of these cases is at Annex E.

The Objectives of the dispersal programmes and location policy

Dispersal

7. The dispersal programmes and the location policy have been dominated by two objectives: to improve departmental economy, efficiency and effectiveness within prevailing limits on public expenditure, and to bring advantage to the regions and the economy as a whole, by transferring work that would otherwise be done in London. The crucial question is whether and in what circumstances these objectives are complementary and whether and in what circumstances they are in conflict.

8. When Fleming constructed the first dispersal programme in 1962-3 it appears that the moves he recommended could be and were justified in terms of simple gains in departmental efficiency. Immediate costs and disruption were recognised, but were expected to be soon cancelled by gains - such as easier recruitment, lower salary and accommodation costs, co-location of like functions and

so on - to be enjoyed by the employing department. Gains to the receiving region, improved employment opportunities, and improved job structure - were perceived but not costed; and the same was true of more general benefits to London itself, such as easing pressure on office accommodation. It was also felt that the Government should set an example in support of its own policies to assist the regions. On the whole the expectation was that staff dispersed with their work would face no adverse consequences and would soon get used to the change. Once the short term costs of moving had been incurred, all the indicators pointed in the same direction, so long as the work concerned was self-contained.

9. By 1973, however, the picture had changed. Hardman reported that there was still government work that could be dispersed on efficiency grounds. The 30,000 moves that he recommended were all found from London, and it was predicted with confidence that over a long enough period (fifteen to seventeen years) the high direct and immediate costs would be more than offset by efficiency gains to the departments concerned. These calculations included, where necessary, recognition that there would be continuing efficiency losses and consequent costs arising from dispersing work that was not self-contained and which needed to maintain communications with London. The benefits to employment and development in the regions were similar to those perceived earlier, but though increased stress was laid on them and an attempt was made to recognise the full resource-use benefits to the economy as a whole (estimates varied between £3,000 and £8,000 per post dispersed at 1973 prices), the expected benefits of individual moves were not reported in detail. The overall picture is one of careful netting out of the balance between departmental costs and benefits in the short/medium and long term respectively on the one hand and benefits to employment and development in the regions over an indefinite period on the other. The implication was that it would be very hard or impossible to find more than 30,000 central government posts that would satisfy this equation.

10. The review of dispersal in 1979 was again conducted in quite different circumstances. The Government was not willing to sustain the high initial and medium terms costs, over a payback period that still extended ten years into the future and which, by then, experience had shown was likely to extend still further. The emphasis was on bringing public expenditure within affordable limits and on reducing departmental running costs in cash terms. The 5,900 posts that remained in the dispersal programme after the review were not necessarily selected on these grounds alone; taken together they offered the regions of most need a package that could be publicly presented and sustained. The 1982/83 interdepartmental review of regional economic policy first referred to certain moves arising from the dispersal programmes as "wrenched dispersal", indicating that in some cases regional gains and long term net efficiency gains probably failed to compensate fully for short/medium term costs and loss of efficiency and that the moves were carried through simply to achieve pre-determined totals. With changing economic circumstances the objectives originally chosen for the dispersal programmes had come into conflict. Moreover, recent experience has shown that there can be continuing management problems arising from dispersal which are not necessarily reflected in running costs. For example, the move of MSC to Sheffield has made career development and succession planning for senior staff within the Department of Employment group much more difficult.

Location and relocation

11. The 1982/83 interdepartmental review recognised the potential value of a coherent location policy to regulate the continuing transfer of government work to the regions - cases that had before 1982/83 been prompted by considerations of departmental efficiency, but were then unguided as to the location likely to yield the greatest benefit to the economy as a whole. In the context of regional economic policy, the transfer of government work occupied only a small place - there often being other and more effective ways to stimulate regional employment and development for the same outlay. The policy pursued since 1983 has been to promulgate in the Establishment

Officers' Guide and a Treasury supplement, central procedures intended to ensure that once a department decides to move on efficiency grounds (and only then) such a move should be made to the region of greatest need. These procedures were, however, not designed to stimulate the original decision to move.

The effects on London and the regions

12. The present distribution of civil servants is: 124,000 in London, 228,000 in London and the South East, and 371,000 in the other regions. Thus the proportion of civil servants (38%) relative to the population as a whole (31%) is high in London and the South East. Some civil servants are in London solely in support of headquarters functions, but many in London and the South East are there to serve the local population. Even so the proportion of civil servants in the region is less than that in the South West. Annex F shows that this relative distribution is intensified if Civil Service numbers are compared with the total labour force (including those in employment) in the regions. Thus even after the three dispersal programmes the overall relative employment picture is one proportionately biased towards the South as a whole rather than towards London and the South East alone.

13. Over its period of ten years the Fleming programme was relatively successful. It applied at a time of growth in the Civil Service; also the programme benefited from the original concentration of central government work in London, particularly because a significant proportion was self-contained and readily portable. During the thirteen years of the two succeeding programmes less than half as many posts have been dispersed. Most of the 10,000 posts that have been dispersed have come from London. Central records show only negligible transfers of dispersed work back to the capital. But under the location policy since 1983 up to 150 posts have come from the regions to London and some 420 from outer London to a more central site. The net effect of the location policy (taking account of wholly new work) is that the regions have gained some 500 posts moved from London.

14. Thus on the information available, the average annual benefit to the regions of transfers from London has been about 770 posts under the recent dispersal programmes and may be some 125 net or 165 gross under the location policy. Experience has shown that typically around 50% (and sometimes up to 70%) of dispersed posts may be available for local recruitment (generally for clerical and the less skilled grades), the rest being filled by experienced staff moving with their work. There is no firm evidence about the proportion of posts filled locally when work is newly created or relocated from the capital; but it is likely to be relatively high in the first case and relatively low in the second. It has been reported of a number of dispersals that the dependants of the staff who have been transferred have themselves gone to swell the number of locally unemployed, especially among school-leavers. Nonetheless, the receiving regions invariably have an impression that any such moves should be beneficial to them.

15. The dispersal programmes and location policy were intended to offer an example to the private sector (paragraph 8 above). Insofar as they may have been perceived as prompting inefficient transfers they cannot have been expected to command widespread emulation. On the other hand, as a means of making the efficiency of moves from London more widely known and as a method of underwriting regional employment and development policies, it is reasonable to suppose (though hard to demonstrate) that both dispersal and the location policy have at the least protected government from the accusation that it was not prepared to take its own advice, and may also have given a modest lead.

16. Changes in the size abd functions of the Civil Service over the lifetime of the dispersal programmes, make it difficult to give precise figures for the total transfer of posts to the regions or the relative contributions of the dispersal programmes and other location and relocation decisions. But there has evidently been a proportionate movement of posts away from London and the South East over the last 19 years. Were the 1977 pattern

of regional distribution to apply in 1986, then some 20,000 more staff would be concentrated in London and the South East than is in fact the case. This suggests that the two most recent dispersal programmes have not been the sole determinants of a trend favourable to the regions, and that, very crudely speaking, they may have represented only half the story. In the context of the decline in Civil Service numbers since 1979 the effects of moving departmental posts and changing workloads have been relatively to shield the regions from the loss of jobs in the Civil Service; Annex G sets out figures of the regional distribution of civil servants.

17. The fact is therefore that the secular trend for government work to leave London is explicable only by reference to posts that were not part of the dispersal programmes. It is altogether likely that such posts were either moved or created on departmental initiative without central intervention and with the simple objective of maintaining or enhancing operational efficiency while also adapting to changing workloads, for example in the unemployment benefit service. The evidence is thus that operational needs, including pressures for decentralisation, have influenced and continue to influence transfers of government work to the regions. It is also possible that operational reasons may prompt departmental moves in the opposite direction, though on a smaller scale overall, and with more doubt about the eventual payback.

Conclusion

18. This Annex suggests the following conclusions about the progress of the dispersal programmes and of the location policy to date:

a) the 1979 programme will successfully achieve the narrow objective of moving nearly 5,900 posts to the regions by 1989 and has already achieved 94% of the target (paragraph 4);

b) about 690 posts have left London or have been definitely committed under the location policy since 1983 (paragraphs

5 and 6). In all some 1,200 posts might go to the regions in the next three years (Annex E);

c) there has been a secular trend for work to leave London and the South East. The shift in posts since 1977 may have been 20,000 overall - that is the number of people who would be employed in the South East if the proportional distribution of 1977 had continued (paragraph 16);

d) about half of this can be attributed to the effects of the dispersal programmes and location policy taken together (paragraphs 13 and 16);

e) the other half is attributable to departments acting on their own in the interests of maintained or improved efficiency and cost effectiveness measured in departmental terms of cash and operational advantage (paragraph 17);

f) in the context of the decline in Civil Service numbers since 1979, the transfer of posts out of London and the South East together with changes in workloads has had the effect of relatively shielding the regions from the loss of jobs in the Civil Service; the shrinkage has been significantly more marked in London and the South East (paragraph 16);

g) insofar as the present proportionate distribution of Civil Service posts relative to population is biased, it is biased to the South as a whole (paragraph 12). But the size of the imbalance is probably not sufficiently large to make the case in itself for further "wrenched" dispersals of posts from the South to the other regions;

h) in the absence of full case studies it is not clear what financial balance exists between the advantages and disadvantages of transfers undertaken under the dispersal programme - as opposed to the presumed financial advantages to departments when they have undertaken moves for their

own purposes (paragraph 10). A re-evaluation of the programme in 1984 suggested that, of the moves examined, it would take 8 - 10 years to reach break-even; more recent analysis of the dispersal of the MSC indicates a longer period. On the other hand, the Public Accounts Committee has recently accepted that there are long term benefits in the MoD's contribution to the current dispersal programme. The conclusion must be that the case for the transfer of Government work, unless dictated by departments' own assessment of their future efficiency, is at best not yet proven;

i) it is not possible to say that the impact of the dispersal programmes on regional economies has matched the objectives originally set. No comprehensive assessments of the impact of dispersal on regional economies has been undertaken, the focus until now generally having been more narrowly upon those costs and benefits felt directly by the dispersing departments. There are substantial difficulties in making such assessments which may involve inter alia judgements as to the net effects on a region of importing staff with their jobs with dependants who may swell the numbers of unemployed. There is therefore insufficient evidence to conclude either that the regional impact has been entirely favourable or that it represented the best investment of the funds involved in terms of benefit to the regions. However, receiving regions invariably feel that any such moves should be beneficial to them (paragraphs 14 and 15).

LIST OF MOVES PROPOSED IN 1973:
HARDMAN DISPERSAL PLAN

ANNEX B

DEPARTMENT	APPROX NO OF POSTS	LOCATION
Ministry of Agriculture, Fisheries and Food	1250	Merseyside
Civil Service Department	50	Sunningdale
	170	Basingstoke
	500	Norwich
Customs and Excise	500	Southend
Ministry of Defence	4250	Cardiff
	1500	Glasgow
	3500	Glasgow
Department of Education		
Natural Environment Research Council	200	Swindon
Science Research Council	430	Swindon
Agricultural Research Council	190	Merseyside
Department of Employment		
Health and Safety Executive	1000	Merseyside
Manpower Services Commission	1900	Sheffield
Departments of Environment and Transport	1020	Bristol
Countryside Commission	100	Cheltenham
Council For Small Industries in Rural Areas	140	Salisbury
Property Services Agency	3000	Teeside
	1000	Regional Offices
Export Credits Guarantee Department	800	Cardiff
Foreign and Commonwealth Office	500	Merseyside
Department of Health and Social Security	500	Newcastle
	980	Blackpool
Home Office	1000	Merseyside
Inland Revenue	350	Local/Regional Offices
	1260	Sites not yet determined
Ministry of Overseas Development	650	East Kilbride
Directorate of Overseas Surveys	350	Glasgow Area
Office of Population Censuses and Surveys	500	Southport
Stationery office, HM	380	Norwich
Departments of Trade and Industry	600	Cardiff/Newport
Companies Registration Office	1000	Cardiff
Laboratory of the Government Chemist	360	West Cumbria

total: 29,930

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ANNEX C

DISPERSAL PROGRAMME: PROGRESS AT OCTOBER 1986

Department	Commitment Posts	Location	Dispersal to date
The total commitment All departments	5,900		5,547
Departmental commitments already met in full 1979-1986			
Customs & Excise	90	Southend	90
Environment (COSIRA)	70	Salisbury	70
Home Office	300	Bootle	301
HMSO	40	Norwich	60
*FCO/ODA	600	East Kilbride	601
Departmental commitments incomplete but likely to be met			
MOD	1,400	Glasgow	1,330
Employment (HSE)	850	Bootle	838
Employment (MSC)	1,850	Sheffield	1,761
Environment (PSA)	100	Bootle	63
*Home Office as from 1985 - was previously FCO/ODA commitment for East Kilbride	50	Glasgow	Nil
Agreed shortfalls			
Trade (ECGD)	550	Cardiff	433

ANNEX C

ANNEX D

FORECASTS OF DISPERSAL PROGRESS
(to fulfilment of 1979 programme of 5900 posts)

May 1986	**5017**	**85%**	
September 1986 + MOD	530		
End of 1986 + HSE → Bootle	12		(HSE Bootle commitment of 850 fully met)
December 1986	5,559	94.22%	
Possibly late 1987 + MOD	70		(MOD minimum commitment of 1400 then met)
→Glasgow			
December 1987	5,629	95.40%	
Possibly late 1988 + Passport Office	140		(HO commitment of 49 may be exceeded by up to 91 posts)
→Glasgow			
December 1988	5,769	97.77%	
Possibly in 1989 + D.Emp	92		
HSE Cricklewood → Sheffield			
By 1989	5,861	99.33%	
Outstanding Commitments			
DOE (PSA) → Bootle	37		(may still be achievable, with a push)
	5,898	99.9%	
ECGD → Cardiff (written off)	117		(No longer possible)

ANNEX E

MOVEMENT OF GOVERNMENT WORK (OTHER THAN UNDER DISPERSAL PROG.)

LONDON TO REGIONS	Nos	REGION TO ANOTHER REGION	Nos	WITHIN THE SAME REGION	Nos	REGIONS TO LONDON OR OUTER TO INNER LONDON	Nos	CASES CURRENTLY BEING CONSIDERED	Nos
OCT 1984 Data Protection Registrar To Wilmslow	40	1983 Inland Revenue Data Processing Staff Various to Telford and Worthing	493	1984 Police Complaints Authority	68	1983 Sea Systems Controllerate of the MOD (Navy) From Bath	50	National Council for Vocational Qualifications (DE) London	60
APRIL 1985 MAFF's Food Science Laboratory To Norwich	20		493	1986 Intervention Board for Agricultural Produce	750	1984 Public Health Laboratory Service Board (DHSS) From Porton, Wilts	25	DHSS - LOP Area Computer Centres Livingstone N Fylde S England	 100 157 157
1987 ODA Scientific Units To Chatham	457				818	1984 Crown Estate Office From Bracknell	38	Land Registry probably to Hull	150
1987 Land Registry To Telford and Coventry	150					1985 MOD Quality Assurance Personnel From Woolwich, Bromley, Harefield	200	PSA Directorate of Scottish Services Within Scotland	90
1986/87 DoT Vehicle Inspectorate Training School To Bristol	24					1985 Home Office Stats Department From Tolworth Tower	56		
	691					1986 DTI's Metropolitan Traffic Area Office From Acton	200 569		714

ANNEX E

Population and Employment by Economic Planning Region

	Total Population	Total Labour Force	Total Employed	No of Civil Servants	Civil Servants as % of Population	Civil Servants as % of Labour Force
(Greater London)	(6,754,500)	(Not available separately)	(3,522,000)	(123,572)	(1.83)	-
South East including Greater London	17,041,800	8,673,000	7,306,784	227,700	1.34	2.63
South West	4,424,100	2,125,000	1,520,355	71,900	1.63	3.38
West Midlands	5,176,300	2,507,000	1,940,567	34,600	0.67	1.38
East Midlands	3,859,800	1,882,000	1,425,565	22,900	0.59	1.22
Yorks and Humberside	4,908,500	2,344,000	1,731,688	33,600	0.68	1.43
North West	6,410,100	3,062,000	2,381,270	50,700	0.79	1.66
Northern	3,100,100	1,417,000	1,032,709	33,400	1.08	2.36
East Anglia	1,925,200	929,000	709,301	14,400	0.75	1.55
Wales	2,807,800	1,233,000	896,804	33,700	1.20	2.73
Scotland	5,150,400	2,431,000	1,938,510	62,300	1.21	2.56
TOTAL	54,804,100	26,603,000	20,883,553	585,200	1.07	2.20
Northern Ireland				5,200		
Elsewhere				8,800		
				599,200		

Population: London and SE as percentage of total = 31%

Civil Servants: London and SE as percentage of grand total = 38%

ANNEX F

ANNEX G_1

COMPARATIVE DISTRIBUTIONS OF CIVIL SERVANTS IN LONDON AND THE SOUTH-EAST REGION

Were the 1977 distribution of civil servants (analysis attached) to be applied to the industrial (98.6K) and non-industrial (497.9K) civil service population in 1986 the differences would be:

	%	Theoretical Distribution	Actual Distribution	Difference
London -				
Industrials	6.3	6.21K	8.4K	+ 2.19K
Non-Industrials	25.7	127.96K	115.1K	- 12.86K
			Net	- 10.67 K
SE (including London)				
Industrials	37.2	36.86K	32.4K	- 4.46K
Non-Industrials	42	209.11K	193.1K	- 16.0 K
			Net	- 20.46K

ANNEX G_2

RELATIVE DISTRIBUTIONS OF CIVIL SERVANTS IN ALL REGIONS

(Detailed analysis in Support of Annex G_1)

		1.1.77 '000	1.1.77 TOTAL	1.1.77 %	1.1.79 '000	1.1.79 TOTAL	1.1.79 %	1.1.86 '000	1.1.86 TOTAL	1.1.86 %
London	Industrial	11.1	157.7	21.1	10.7	144.7	19.7	8.4	123.5	20.7
	Non-industrial	146.6			134.0			115.1		
South East (including London)	Industrial	65.6	305.9	41.0	61.5	292.1	39.8	32.4	225.5	37.8
	Non-industrial	240.3			230.6			193.1		
Northern	Industrial	5.6	41.0	5.5	5.7	42.3	5.8	2.5	33.1	5.5
	Non-industrial	35.4			36.6			30.6		
Yorks and Humberside	Industrial	7.3	37.3	5.0	7.3	38.2	5.2	3.6	33.6	5.6
	Non-industrial	30.0			30.9			30.0		
East Midlands	Industrial	7.9	29.1	3.9	7.7	28.9	3.9	3.4	22.9	3.8
	Non-industrial	21.2			21.2			19.5		
South West	Industrial	33.2	84.5	11.3	32.0	83.8	11.4	24.3	71.4	12.0
	Non-industrial	51.3			51.8			47.1		
East Anglia	Industrial	3.2	14.0	1.9	2.9	16.1	2.2	1.9	15.0	2.5
	Non-industrial	10.8			13.2			13.1		
West Midlands	Industrial	8.0	37.2	5.0	7.4	36.8	5.0	5.9	34.3	5.8
	Non-industrial	29.2			29.4			28.4		
North West	Industrial	11.0	66.7	8.9	10.5	67.7	9.2	2.1	51.1	8.6
	Non-industrial	55.7			57.2			49.0		
Wales	Industrial	9.1	40.0	5.4	9.2	40.7	5.6	5.5	33.1	5.5
	Non-industrial	30.9			31.5			27.6		
Scotland	Industrial	19.5	70.9	9.5	18.6	70.8	9.7	13.6	62.0	10.4
	Non-industrial	51.4			52.2			48.4		
N Ireland	Industrial	4.1	8.4	1.1	2.8	6.5	0.9	2.0	5.1	0.9
	Non-industrial	4.3			3.7			3.1		
Elsewhere	Industrial	1.8	11.0	1.5	1.5	9.2	1.3	1.4	9.4	1.6
	Non-industrial	9.2			7.7			8.0		
TOTAL	Industrial	176.3	746.0	100.0	167.1	733.1	100.0	98.6	596.5	100.0
	Non-industrial	569.7			566.0			497.9		

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ANNEX H

ANALYSIS OF ALL PLANNED, PROSPECTIVE AND OTHER POSSIBLE FUTURE MOVEMENTS AND PLACEMENTS OF GOVERNMENT WORK

	TO THE REGIONS (mostly from the SE, but including London to the SE)	BETWEEN OR WITHIN OTHER REGIONS	TOWARDS CENTRAL LONDON
COMMITTED (Moves which will take place: total - 831)	ODA Scientific Units: to Chatham '87 (457) Land Registry: Telford, Coventry '87 (150) D.Tpt Vehicle Inspectorate Bristol 86/87 (24) 631		DTI Met Traffic Area Office '86 (200)
INTENDED (Moves etc being firmly planned: total - 714)	DHSS Lop Area Computer: Livingstone, North Fylde and S England (414) Land Registry: Hull (150) 564	PSA Directorate of Scottish Services: Scotland (90)	DEm NCVQ (New Work) (60) Could possibly go to the regions
PROSPECTIVE (moves likely if either ministerial decisions so dictate or certain workloads continue to grow as expected: total - 1,500)	Land Registry: balances to Telford, Coventry and Hull: within 5 yrs (up to 1,000) General Trend: new cases likely to arise in next 3 years (500) 1,500		
SPECULATIVE (Depends largely on policy decisions yet to be taken: total - 1,500)	MOD QA Staff (1,500) 1,500		
GRAND TOTAL (All moves: 4,545)	4,195	90	260

Civil Service Dispersal PT3

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From The Parliamentary Under-Secretary

8 August 1986

Dear Richard,

MBM

DISPERSAL OF GOVERNMENT OFFICES

The review described in your Private Secretary's minute of 16 July to the Prime Minister's Private Secretary is one which I very much welcome. I would want officials of the Welsh Office to be closely involved - indeed they are already in touch with yours.

I have, however, seen David Young's letter of 29 July to you. I am sure that we can all endorse the suggestion that the review should look positively at ways of getting more government work into areas of high unemployment rather than a detailed review of the exisitng programme. I would hope, however, that this would be on the basis of seeking to allow fair consideration for all areas of high unemployment as well as focussing on the immediate needs of the North East.

Copies of this go to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, Employment, the Environment, Defence, and Scotland, to the Paymaster General and to Sir Robert Armstrong.

Yours ever

Wyn

WYN ROBERTS

Richard Luce Esq MP
Minister of State
Privy Council Office
(Minister of the Arts)
Management and Personnel Office
Office of Arts and Libraries
Great George Street
LONDON SW1

MC/B25

cc BS

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1 9NF

6460

Telephone Direct Line 01-213.....

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Richard Luce Esq MP
Minister of State
Privy Council Office
(Minister of the Arts)
Management and Personnel Office
Office of Arts and Libraries
Great George Street
LONDON SW1

NBPM

29 July 1986

Dear Richard

I have seen a copy of your private secretary's letter of 16 July to the Prime Minister's private secretary on this subject. (It would be very helpful if copies of further correspondence on this subject could be sent directly to my office as well as the Paymaster General's).

I do, of course, accept the need for this exercise to be handled sensitively and I am content that the work should be carried out, at least initially, by officials under Ann Mueller's leadership. I would like officials from my department to be fully involved, because of the importance I attach to securing further transfers of Government work to areas of high unemployment. I have been strengthened in this view by the visit I made to Sunderland: it is quite clear that many of the traditional sources of employment in the North East are in terminal decline and if our efforts to revive employment in that region are to be taken seriously I am sure that we must be prepared to find a significant block of Government work that can be moved there within the near future. I hope that this - rather than a review of the existing dispersal programme - can be the focus of Ann Mueller's study.

I am sending copies of this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, the Environment, Defence, Scotland and Wales and Sir Robert Armstrong.

Yours ever,

Norman

CIVIL SERVICE

DISPERSAL

PT 7



10 DOWNING STREET

From the Private Secretary

18 July 1986

Dear John,

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Thank you for your letter of 16 July setting out the proposed arrangements for the study of the transfer of Government work to the regions. I am sure the Prime Minister would be content with these.

I am copying this letter to Joan McNaughton (Lord President's Office), Rachel Lomax (HM Treasury), Richard Mottram (Ministry of Defence), Colin Williams (Welsh Office), Robin Young (Department of the Environment), Jacob Franklin (Paymaster General's Office), Jill Rutter (Chief Secretary's Office), Robert Gordon (Scottish Office), John Mogg (Department of Trade and Industry), and Michael Stark (Cabinet Office).

Yours sincerely,

David Norgrove.

DAVID NORGROVE

John Fuller, Esq.,
Office of the Minister for the Arts

CONFIDENTIAL

CQBC

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

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

Great George Street
London SW1P 3AL
Telephone 01-233 8610

David Norgrove Esq
PS/Prime Minister
10 Downing Street
LONDON SW1

16 July 1986

NBM.

Dear David,

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

Your letter to Paul Thomas of 8 July conveyed the Prime Minister's request that a small group of officials under MPO chairmanship should prepare a quick and quiet study on what has been achieved to disperse Government work during the period of this Government, on the prospects and on what further might be done.

The Minister of State has asked Miss Mueller to lead the study and in addition to those mentioned in your letter, officials from the Welsh Office and MoD will also be invited to participate.

The study will set out progress with the 1979 dispersal programme (it is about 85% complete) and what remains to be done to secure its completion. It will also examine the scope for developing a continuing policy for locating Government work in the regions and specify what will be needed to make that policy work well including bringing efficiency questions alongside general Government policies for promoting employment in the regions. It will report by October.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (H M Treasury), John Mogg (Department of Trade and Industry), Robin Young (Department of the Environment), Robert Gordon (Scottish Office), Jill Rutter (Chief Secretary's Office), Jacob Franklin (Paymaster General's Office), Richard Mottram (Ministry of Defence), Colin Williams (Welsh Office), and Michael Stark (Cabinet Office).

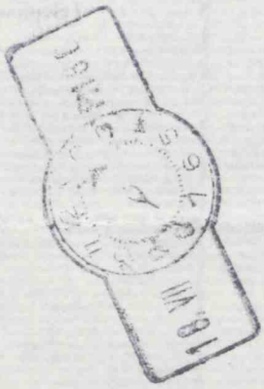
Yours ever,

John Fuller

JOHN FULLER
Assistant Private Secretary

CONFIDENTIAL

REGIONAL: Police Dispersal: June 86



CONFIDENTIAL

File

LOS AEM

bc BG

10 DOWNING STREET

8 July 1986

From the Private Secretary

cc Emp.

Dear Paul,

TRANSFER OF GOVERNMENT WORK TO THE REGIONS

The Prime Minister has seen your Minister's minute of 19 June and the Secretary of State for Employment's minute of 4 July about transfer of further Government work to areas of high unemployment.

The Prime Minister agrees with Lord Young that it would be worthwhile to initiate a further study of what might be achieved in this area. But she is concerned that this should be done in a way which does not create staff anxiety. She suggests that the best way of taking this forward would be for a small group of officials, under MPO Chairmanship and including representatives from the Department of Employment and the Treasury, to prepare quickly and quietly a short study on what has been achieved to disperse Government work during the period of this Government, on the prospects and on what further might be done.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (H. M. Treasury), John Mogg (Department of Trade and Industry), Robin Young (Department of the Environment), Robert Gordon (Scottish Office), Jill Rutter (Chief Secretary's Office), Jacob Franklin (Paymaster General's Office) and Michael Stark (Cabinet Office).

Yours sincerely,

David Norgrove

DAVID NORGROVE

Paul Thomas, Esq.,
Office of the Minister for the Arts.

GA

PRIME MINISTER

DISPERSAL OF GOVERNMENT WORK TO THE REGIONS

You saw papers about this over the weekend and agreed that Lord Young should take up a suggestion of Mr. Luce's for considering further dispersal.

On further consideration, Lord Young seems to be pushing Mr. Luce's remarks further than is warranted with the result that he (Lord Young) would have the initiative in pressing other Departments to disperse work to the regions. This is wrong in principle but, more important, an exercise of the kind Lord Young has in mind would risk stirring up staff anxieties.

Agree that an official group, chaired by MPO and including members from Department of Employment and the Treasury, should prepare quietly and quickly a report on progress in the past few years and on what more might be done?

DAVID NORGROVE
7 July 1986

ECL/37

CC(83)G

CONFIDENTIAL

PRIME MINISTER

DISPERSAL OF GOVERNMENT WORK TO THE REGIONS

I have now seen a copy of Richard Luce's minute of 19 June to you ("British Shipbuilders: Government Response") commenting on my suggestion that we should explore the possibilities for dispersing further Government work to areas of high unemployment and particularly those affected by large scale redundancies. In his minute he proposed that I should ask whether colleagues can offer suitable blocks of work for relocation.

As you know, I believe very strongly that the Government should take the lead in moving suitable blocks of work out of the South East and into areas where new jobs are badly needed. I am reinforced in this view by the discussions we have been having in EA about the future of shipbuilding. We are all agreed that we must look to new sources of employment in areas of acute job losses, rather than attempting to sustain industries for whose goods and services there is no longer a market. The Government is in a strong position to provide such employment opportunities, as the dispersal programme has already demonstrated.

In addition, the still very considerable concentration of Government work in the South East is causing increasing difficulties as labour market conditions in the South East become tighter. I am thinking particularly of the problems

many departments have in retaining computer staff in London and the Home Counties and of the general problems of recruitment and retention of clerical staff in Government offices in the South East.

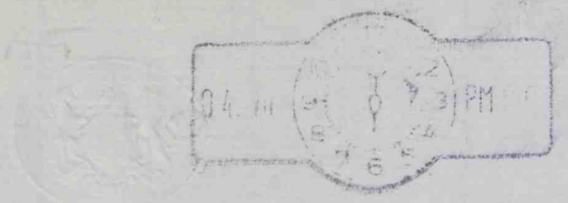
From this point of view, the more Government work that can sensibly be moved out of the South East, the better.

I would therefore like to take up Richard Luce's suggestion and, if you agree, write to all colleagues asking them to consider urgently the possibility of dispersing further blocks of work to areas of high unemployment. I would aim to put a report to you in October.

I am sending copies of this minute to Willie Whitelaw, Nigel Lawson, Paul Channon, Nicholas Ridley, Malcom Rifkind, John MacGregor, Kenneth Clarke, Richard Luce and Sir Robert Armstrong.

DY

4th July 1986



PRIME MINISTER

DISPERSAL OF GOVERNMENT WORK TO THE REGIONS

You will remember that Lord Young suggested exploring the possibility for dispersing more Government work to areas of high unemployment. He suggested PSA, in particular, might go to the North East. The Secretary of State for the Environment resisted this specific proposal. Richard Luce at MPO is content that the possibilities of moving Government work out of London should be looked at, and Lord Young's minute (attached) asks your permission to co-ordinate an exercise of this kind.

Dispersal is one of those ideas which always sounds attractive as a general proposition, but where specific proposals often turn out to seem impossibly difficult to put into effect. But there seems no reason why Lord Young should not have a go at seeing what might be done in this area to help the bleak prospects of those hit by, e.g., shipbuilding retrenchment in the North East and elsewhere.

Agree that Lord Young should take up Mr. Luce's suggestion to consider further dispersal?

Yes

Mark Addison

MARK ADDISON

4 July 1986

LO5AET

original filed on
NAT. IND:
Shipbuilding: Pt 10

SCBG

BF

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

19 June 1986

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

I have seen David Young's recent minute to you about the situation in the North East created by the BS redundancies, and Nicholas Ridley's comments of 28 May.

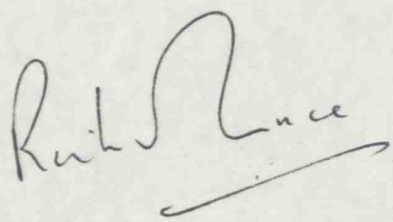
When we took office in 1979 we took a decision to bring financial reality to the existing plans for the dispersal of government work to the regions. Our own programme of dispersal has been a success. We have moved nearly 5,000 jobs out of London and we are more than 85% of the way to our target. The programme is well understood. Were we now to introduce an additional element of "dispersal" (called by this name) we should create confusion, particularly in the North East which has always regretted our decision to exclude from the programme the transfer of PSA work to Middlesborough. Fourth-fifths of Civil Service jobs are already outside London, and the northern region has the fifth highest number of civil servants in relation to its population as compared with the ten other regions.

I suggest, therefore, that in seeking to alleviate the impact of BS's problems on the North East we keep any transfer of government work quite separate from the dispersal programme.

I believe that we can do this under the existing policy for the relocation of government work. This already takes account of regional, urban, and inner city development needs. Departments wishing to move from their existing location are required by Cabinet Office (MPO) and the Treasury to provide regional interests with an opportunity to show, by means of cost benefit analysis, which receiving locality is most advantageous. The analysis includes any regional financial assistance that might be available to the private sector on relocation. That is intended to provide scope for ensuring that the pressing needs of the regions, one against another, are properly met, once the true costs to the economy and to the Exchequer of making a move have been established.

John MacGregor and I should be very ready to make available the technical expertise of our departments to ensure that the situation created by the BS redundancies is considered constructively in accordance with the procedures for the relocation of Government work.

I am sending copies of this minute to Willie Whitelaw, Nigel Lawson, Paul Channon, Nicholas Ridley, Malcolm Rifkind, John MacGregor and Sir Robert Armstrong.



RICHARD LUCE

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

DISPERSAL TO EAST KILBRIDE

The Prime Minister has seen your minute to Mr. Butler (AO85/505). She is content with the agreement reached between the Home Office and the Scottish Office.

(ANDREW TURNBULL)

18 February 1985

CONFIDENTIAL

Prime Minister (1)

Content?

AT 15/2

Ref. A085/505

MR BUTLER

Dispersal to East Kilbride

You remember that last autumn the Foreign and Commonwealth Secretary circulated a memorandum to E(A), seeking the agreement of the Committee to drop the residual commitment to transfer 50 posts to East Kilbride. This proposal was resisted by the Secretary of State for Scotland, who said that it remained politically important to meet the dispersal commitment in full.

2. The Prime Minister directed that the subject should be taken off the agenda of E(A) and instructed me to seek to resolve the matter at official level.

3. I am glad to say that it has proved possible to resolve this issue without further reference to Ministers. The Home Office have agreed to disperse from London sufficient Passport Office staff to increase the existing number of Passport Office staff in Glasgow by at least 50, provided that it is accepted that the commitment will not be met until 1987.

4. The Scottish Office have accepted this offer as sufficient to meet the dispersal commitment.

5. We shall not therefore need to trouble Ministers with this issue.

RA

ROBERT ARMSTRONG

15 February 1985

CONFIDENTIAL

NBPM
RT
CC NO
30/10

PRIME MINISTER

DISPERSAL TO EAST KILBRIDE

I have seen the papers on this subject by Geoffrey Howe (E(A)(8458) and George Younger (E(A)(84)59) which are shortly to be discussed at a meeting of the Ministerial Steering Committee on Economic Strategy under your Chairmanship. This note is to reiterate the views I expressed in discussions earlier this year on the possible involvement of the Passport Office, in response particularly to paragraph 3 of Geoffrey Howe's paper.

As you know, Foreign and Commonwealth Office officials had suggested that in order to meet the outstanding commitment of 49 posts, 140 Passport Office posts concerned with postal applications should be transferred from London to East Kilbride and amalgamated with the office currently in Glasgow. This was before the transfer of the Passport Office to the Home Office had been agreed. The main reason for the latter transfer was the strong advantage which the Rayner Scrutiny Team identified in terms of more effective management if the principle of the full integration of Home Office and Passport Office staff were accepted. To transfer over 10% of the Passport Office staff to a part of the United Kingdom where such integration would be impossible would not only undermine the Rayner intention but also reduce the opportunity for the more effective deployment of both Home Office and Passport Office staff in regional offices which I intend to be a long-term benefit of the transfer.

On a more strictly practical point, it would be clearly inefficient to open an office in East Kilbride without amalgamating it with the Glasgow Passport Office (86 posts). This would have the political back-lash mentioned by George Younger in paragraph 5 of his paper, but would also create substantial additional work since the Glasgow office transacts the highest amount of over-the-counter business in the United Kingdom (after London), but people would be unlikely to make the journey to East Kilbride for that purpose. Postal applications are more time-consuming and expensive to handle than over-the-counter ones.

CONFIDENTIAL

Finally, and, in my view most important, to insist on a highly unpopular dispersal to East Kilbride would impose an intolerable burden in terms of the management of industrial relations in the light of the decision I have just reached to phase out the Passport Examiners' Allowance and of the importance of pressing forward on the plans for the computerisation of the issue of passports to coincide with the introduction of a machine readable passport in 1987. This will anyway be difficult to handle because of the short timescale and the substantial loss of jobs which will be involved; to add another 140 relocations or redundancies may well jeopardise the whole operation, with delays both in the expected savings and the improved service to the public.

I hope this makes it quite clear that, if it cannot be agreed that this relatively minor outstanding commitment should be dropped, I remain strongly opposed to it being transferred to the Home Office.

I am copying this minute to the members of E(A).

L.B.

30 October 1984

NTIAL

30 OCT 1984

CONFIDENTIAL

cc D/Ind D/N
DOE D/M
SO DOT
WO CO
CSO FCO

10 DOWNING STREET

From the Private Secretary

24 February 1983

DISPERSAL

The Prime Minister saw the Lord Privy Seal's paper of 17 February about the dispersal programme, and in particular about the estimated shortfall in the dispersal commitment to Cardiff (E(EA)(83)3).

On the issues for decision in this paper, the Prime Minister commented that she sees no good reason for pursuing the matter further at present.

I am sending copies of this letter to the Private Secretaries to the other Members of E(EA) and Sir Robert Armstrong.

M. C. SCHOLAR

Mrs. Mary Brown,
Lord Privy Seal's Office.

CONFIDENTIAL

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CIVIL SERVICE

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 } 4400
GTN 273 }

The Rt Hon The Lord Cockfield
Secretary of State for Trade
1 Victoria Street
London SW1H OET

30 November 1982

Prime Minister (2)

This goes on and on.

MCS 2/12

Dear Arthur,

DISPERSAL

Thank you for your letter of 27 October.

As I said in my last letter, I have a real appreciation of the points you make about the price of dispersal to efficiency. But you will also appreciate the political awkwardness that would be entailed in any reduction in the posts to be dispersed. As you know, the Prime Minister has twice reaffirmed our commitment, to the effect that there was "no change in the plans, numbers and destinations announced" (13 May 1980, col 1055), and that there would be "no change whatever" in the programme (12 November last, col 665).

Patrick Jenkin's minute of 22 January this year to the Prime Minister fully reported our conclusion in E(EA) that the commitment to Cardiff should stand, despite fewer staff being employed on the work designated, partly as a result of the reduction in Civil Service manpower. The Prime Minister, in her Private Secretary letter of 26 January to which you refer, accepted this conclusion, and referred to the need to maximise management efficiency within the constraints imposed by dispersal.

I know that many colleagues have pressed their Departments very hard indeed, and with success, to ensure that the political commitment is fully realised despite the difficulties. As a result the present indications for delivering the programme as a whole are fairly promising, although we must be mindful of the possible repercussions of any relaxation, however minor. I therefore propose to invite E(EA) to review our progress with the programme as a whole in January next, which will be one year after we last considered the matter collectively. The particular difficulties you face can be discussed in that context.

I am copying this letter to the Prime Minister, Patrick Jenkin and members of E(EA), and to Willie Whitelaw, Francis Pym, John Nott, Barney Hayhoe and Sir Robert Armstrong.

Yours ever

Janet

BARONESS YOUNG

CONFIDENTIAL

Civil Service, Dispersal, Pt 3.

-2 DEC 1982

CN Series

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Prime Minister (2)

MES 27/10

CONFIDENTIAL

From the Secretary of State

The Baroness Young
Management and Personnel Office
Whitehall
London SW1

27 October 1982

Dear Janet,

I must say that I was surprised and disappointed by your letter of 30 September asking me to reconsider, in consultation with Patrick Jenkin, the possibilities for dispersing a further 100 posts to Cardiff.

I can assure you that all possible options have been looked at very thoroughly here following the discussions in E(EA), as John Biffen made clear in his letter of 15 March 1982. I must, therefore, reiterate that we are unable to recommend further candidates for dispersal without an unacceptable loss of efficiency within my Department. You will recall that the Prime Minister, in her Private Secretary's letter of 26 January 1982, in commenting on the E(EA) discussions drew particular attention to the need to maiximise management efficiency.

I will not rehearse the history of this matter except to remind you that, from the very outset, my Department warned that because of possible manpower savings the ECGD functions to be moved to Cardiff would produce nearer 700 than 800 posts for dispersal. In the event ECGD achieved significant staff savings in this area and frankly it seems to me quite unrealistic and inflexible, having secured savings and dispersed 700 posts, to penalise my Department for doing so. I can see no prospect of replacing these posts without taking management decisions which are in conflict with everything else - manpower savings, cost reductions, increased efficiency and privatisation we are seeking to achieve. There is a point at which the price for dispersal becomes too high in the interests of good management and efficiency, and this point has now been reached in my Department.

CONFIDENTIAL

From the Secretary of State

In my opinion our stance on this question is entirely defensible. All the ECGD functions designated for dispersal are now established in Cardiff together with 700 posts engaged on that work. The reduction in posts arises solely from success in reducing manpower and improving efficiency as part of the continuing thrust within Government Departments. The major commitment has been met in full but we cannot disperse posts which no longer exist or reasonably be expected to take decisions which undermine management objectives. The Prime Minister in her Private Secretary's letter of 26 January 1982 specifically said that "the argument that we must take account of the effects on dispersal plans of subsequent reductions in Civil Service numbers seems reasonable to her". This is precisely our contention here.

I hope, on further consideration, you will accept that it is not possible for my Department or ECGD to find a further 100 posts for dispersal to Cardiff.

I am copying this letter to the Prime Minister, Patrick Jenkin and members of E(EA) Committee, and to Barney Hayhoe and Sir Robert Armstrong.

LORD COCKFIELD

Disposal: Civil Service Pte

CONFIDENTIAL

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 [illegible] 4400
GTN 273 [illegible]

30 September 1982

The Rt Hon The Lord Cockfield
Secretary of State for Trade
1 Victoria Street
London SW1H OET

C- PS/2nd Perm Sec
Mr Priestley
Mr Laughrin
Mr BR Morris

Dear Secretary of State

DISPERSAL

Thank you for your letter of 9 September, in which you reported the results of your Department's reorganisation of its Marine Division, and its consequent effect on possible posts for dispersal to Cardiff.

The arguments you advanced for not being able to disperse the 49 posts of the Marine Surveyor General's Organisation are persuasive on efficiency and cost grounds. (Of course that would still leave a shortfall of 51 posts.) I do not in the least underestimate the management and efficiency difficulties. Barney Hayhoe was kind enough to let me have an account of his recent visit to ECGD, and management there had a lot to say about the effects of dispersal.

But this still leaves a real problem. There are very clear, public and important Government commitments to complete the dispersal of 800 posts to Cardiff. When it was agreed in July 1979 to continue this particular dispersal from the previous administration's programme, this was done knowing that ECGD would be affected by manpower reductions. However much we might wish otherwise, the present position really is no "accident of circumstance and timing" (as John Biffen suggested on 15 March). There was ample discussion in 1979, and the acceptance of 550 posts to Cardiff was collective. Furthermore this commitment was discussed at E(EA) on 19 January and reaffirmed.

I would therefore be glad if your Department would look again, as soon as possible, for possible candidates for dispersal, and if necessary look across the Trade and Industry group as a whole.

I am copying this letter to Nick Edwards and Barney Hayhoe; and, because of the previous discussion of our existing commitments in E(EA), also to Patrick Jenkin and Sir Robert Armstrong.

Yours sincerely

Douglas Board
(Assistant Private Secretary)

BARONESS YOUNG
(approved by the Lord Priy Seal and signed in her absence)

CONFIDENTIAL

LORD PRIVY SEAL
C 11
-9 SEP 1982
FILING INSTRUCTIONS
FILE No.

From the Secretary of State

LORD PRIVY SEAL
Action
PS Min. of State (Tsy) (C)
PS - Perm. Sec.
PS - Second Perm. Sec.
(DB)
Mr Priestley

The Baroness Young
Management and Personnel Office
Whitehall
London SWI

9 September 1982

Dear Janet,

DISPERSAL

When John Biffen wrote to you on 15 March about the possibility of transferring more staff to Cardiff, he promised to report further on a review of the Department's Marine Division. This has now been completed.

To move the entire Division (200 people) out of London would not be feasible since so much of the work is connected with the shipping organisations and the International Maritime Organisation, both of which are in London. I have therefore looked at whether we could move out the Marine Surveyor General's Organisation (staff of 49). The problem here would be in its day-to-day involvement with other parts of this Department's Marine and Shipping Policy Divisions, and the Treasury Solicitor, as well as with the General Council of British Shipping, the FCO, IMO the maritime unions and shipowners representative bodies. To overcome these difficulties would involve installing tele-conferencing facilities and an increase in support staff (typists, reprographic staff and messengers). Furthermore this section has just been radically reorganised and to remove it at this stage from the supevision of the rest of the Division would be most unwise. In short, I have to conclude that to make such a move

From the Secretary of State

would seriously reduce the efficiency of this part of the Department's activities and be seen to do so by the shipping industry.

LORD COCKFIELD

PART 2 ends:-

4.6.82

3

PART ..... begins:-

9.9.82



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