PREM 19/2922

M

32/22 CONFIDENTIAL FILING

Dispersal Policy

CIVIL SERVICE

HSE to Bootle

D + Booklet "Relocate in Scotland".

(In attached folder ESU Research Paper - ODA Dispersal to East Kilbride: An Evaluation ; also investment appraisal by Dir. General of Defence Quality Assurance

PT 1 : May 1979

PT 4 : April 1988

PREM 19/2922

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PT 4 ENDS

PART 4 ends:-

PMA to HOMG SGC. 27.2.90

PART 5 begins:-

SS/MOD to SS/Scotland 1.3.90.

~~FCS to HOMG SGC. 1.3.90~~

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/27L

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

28th February 1990

Dear Douglas

RELOCATION

Thank you for your letter of 30th January. I am very conscious of the paradox to which you refer. Indeed, there is the further irony in this case that we shall be moving some 2,000 partners of above average education and skills out of the South-East, where the shortage of such talent is most acute.

This is not a problem which the Ministry of Defence has encountered in the relocation projects undertaken to date: these have been much more akin to the moves of, say, banks in the private sector, in that we have moved a relatively few supervisory staff and met the bulk of our (generally relatively unspecialised) additional needs by recruitment at the new location. The relocation of Procurement Executive staff is however quite different in nature, both in respect of the high proportion of mobile staff involved and in the fact that the great majority of them have working partners.

From the management point of view, I have to take account of the practicalities. The staff I plan to move are those directly responsible for the management of procurement projects worth some £4 billion a year. They possess skills which can only be developed over a period of many years of training and experience, and which

The Hon Douglas Hogg MP
Minister for Industry and Enterprise

are not readily available on the wider job market. Our own resources are already very tightly stretched in this area, and I cannot afford to lose many more people upon relocation. I must therefore take account of their natural and proper desire to ensure that their partners will be able to pursue their careers at a new location.

By locating the procurement staff currently working on London in the same travel to work area as their Sea Systems colleagues, as I intend to do, it will be possible for us to move, in the longer run, towards a leaner, more efficient, Procurement Executive. But this must be achieved in a properly planned and controlled fashion, and related directly to the needs of the defence procurement programme, and of value for money within it.

I believe that Ministry of Defence has a good record of taking account of regional needs where operational constraints allow us. The move of 1,400 posts to Glasgow has been successfully completed. I am also, as you know, firmly committed to the move of 1,500 Quality Assurance posts to Teesside, a project whose implementation is now rapidly gathering momentum. I can assure you, and other colleagues with regional interests, that these considerations will continue to play a major part in our studies of further relocation possibilities. Economics and operational efficiency must however be given their full weight as well.

I am copying this letter to recipients of previous correspondence.

Tom King

CIVIL SERVICE: Dispersal
Pt 4



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 5/27S

28th February 1990

Dear Peter

RELOCATION

Thank you for your letter of 16th January.

As you will know from our discussions on the subject, I am very conscious of the need for the Services' essential training activities, in Wales as elsewhere in the country, to be carried out with proper regard for the sensitivities and environmental concerns of the local population. I also readily repeat the assurances given in my letter of 10th January, that I shall continue to look for ways of increasing the MOD's wider presence in Wales.

I am copying this letter to recipients of our previous correspondence.

Yours

Tom King

The Rt Hon Peter Walker MP

12 03 A190



Civil Service.
Dispersal
Pt 4.

47a/2 pmg.vd/docs/waddington

cc PU.

NBPM
RRCG
27/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon David Waddington QC MP
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

27 February 1990

Dear David

LOCATION OF GOVERNMENT WORK: HOME OFFICE IMMIGRATION AND NATIONALITY DEPARTMENT

Thank you for your letter of 12 February.

I am sorry you were surprised at my reaction to your recent decision. You will, I hope, appreciate that we have to work hard to make our relocation policy a success, and this means we should not rule out difficult relocation options unless we really are fully satisfied that staying put in London and the South East represents the best value for money.

It was because I was not totally convinced by the case for keeping the bulk of IND at Croydon that I suggested that the issue should be reconsidered. Having now read your further letter, I have to say that I am still not completely reassured. For example, while it is true that the savings from relocation would accrue over a long period of years, the savings could still be substantial (running into millions of pounds), and should not be ignored because they are not obtained immediately. Moreover, while I entirely accept that the savings need to be set against the large initial outlay, the cost benefit analysis does exactly this by discounting both costs and benefits to give net present values. Whether or not you will be able to avoid labour market difficulties in the Croydon area in the foreseeable future is very much a matter of judgement.

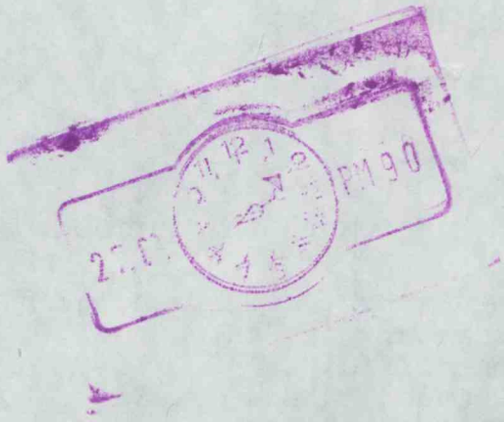
I hope you will agree, therefore, that the position should be kept under review, and that relocation should be reconsidered if the circumstances of IND change significantly.

I am copying this letter to the recipients of yours.

Yours ever
Malcolm

THE EARL OF CAITHNESS

CIVIL SERVICE · DISPOSAL PTE.



47a/2 pmg.vd/docs/rifkind

cc P.V.

NBPM

PRCO

19/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Whitehall
LONDON SW1A 2AU

19 February 1990

Dear Malcolm

RELOCATION

In your letter of 25 January to Tom King, you invited my comments on the problem of ensuring that an equitable share of future relocations go to the territories. I have also seen Peter Walker's letter of 16 January, Douglas Hogg's of 31 January, and Chris Patten's of 12 February.

From personal experience, I can readily support your comments on the ease of travel to and from Scotland. And electronic communications, video conferencing etc can now also shrink the distance to a very significant extent.

I understand your desire that a good proportion of departments' future relocation decisions should favour Scotland, because of its many advantages. Of course, as you have acknowledged, a number of recently announced relocations have concerned functions which are already handled in Scotland by your own department, and over one third of all posts transferred since 1979 under our previous dispersal programme are in Scotland. Indeed, the proportion of civil servants relative to total population has held up better in Scotland than in most other regions and territories with our leaner, modern Civil Service.

I also recognise that the British Council's decisions in favour of Manchester for its headquarters relocation will have been a disappointment to you. But your officials will confirm that the Treasury cooperated closely to ensure that your department's information was correctly appreciated by the British Council.

The essence of the current policy, and I believe an important reason for its greater success, is that it is not centrally directed. Colleagues in charge of departments are responsible for ensuring that our agreed guidelines are followed, that at least

CIVIL SERVICE: Disposal PL4

the most favourable location suggested by territorial or regional policy departments is considered in their list of costed options, and that investment appraisals are conducted in full objectivity. Recognising the success of existing relocations to Scotland, and the evidence of the ODA experience which you published in 1988, I am confident that Scotland can win a significant proportion of future relocations on merit.

The Treasury will, of course, continue to remind relocating departments of the principles set out in our guidelines, and my officials have recently circulated to the Principal Establishment Officers and Principal Finance Officers of all departments a further note on this subject agreed with officials in your and other policy departments. We are certainly happy to continue working closely together to ensure that these agreed principles are understood and respected. But there can be no case for positive discrimination regarding any region or territory, and I know that you are not asking for special preference.

In his letter of 30 January to Tom King on the subject of the same MOD relocation proposal, Douglas Hogg expressed concern over the apparent contention that an area of high unemployment would not be suitable if relocating staff took with them family members who were also job seekers. He fears that, if applied widely, such an approach would undermine the territorial, regional and urban policy aspects of our guidelines.

Where relocations involve the transfer of vacant posts for recruitment at the new location, clearly there is no problem. But it must be true that future relocations will involve a higher proportion of staff transferring with their work. Where this involves marketable specialist staff whom a department can ill afford to lose, I can appreciate that employment opportunities at the new location for family members may be a relevant management consideration to be looked at alongside other factors - but one which must be kept in proper perspective. I agree with Douglas that it must not be used to distort sound judgement on the choice of location.

I am copying this letter to the recipients of yours, and to Douglas Hogg.

Yours ever

Malcolm

THE EARL OF CAITHNESS

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref

Your ref

The Rt Hon Malcolm Rifkind QC MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

12 February 1990

Dear Malcolm,

In your letter of 25 January to Tom King about the relocation of the Land and Air Systems Controllerates to Bristol you also broached more general relocation issues through your reference to the British Council's decision to move to Manchester.

The British Council's choice of Manchester is in line with our general policy of supporting relocation to areas of high unemployment and special need, that is to assisted areas and those inner cities where Urban Development Corporation or Urban Programme areas have been established.

I fully agree with you and Peter Walker, however, that if relocation policy is to be effective, then relocating departments (and non-Departmental public bodies such as the British Council) must take a sufficiently broad view of their responsibility and should not restrict their options to areas in England, but should give equal weight to Scotland, Wales and Northern Ireland.

In the case of the relocation of the Land and Air Systems Controllerates I take it that MOD officials will be in touch with mine in PSA under the agreed arrangements for relocation exercises so that all options are taken into consideration before a particular site and/or property is selected.

I am copying this letter to the Prime Minister, Peter Walker, Nicholas Ridley, Peter Brooke, Norman Lamont, Michael Howard and to Sir Robin Butler.

Yours ever,

CHRIS PATTEN

100% RECYCLED PAPER



CIVIL SERVICE
Disposal Pt 4

QUEEN ANNE'S GATE LONDON SWIH 9AT

12 February 1990

Dear Paymaster General

LOCATION OF GOVERNMENT WORK:
HOME OFFICE IMMIGRATION AND NATIONALITY DEPARTMENT

Thank you for your letter of 30 January in response to mine of 26 January about my decision that for the most part the Immigration and Nationality Department will remain at Lunar House, but that the Nationality Division will be concentrated in Liverpool.

I am sorry and somewhat surprised at your reaction to this decision. We had been careful to consult the Treasury closely about what we had in mind and our reasons.

I do not need any convincing on the merits of relocation, as my decision to relocate the Prison Department and the nationality organisation shows. But the financial advantages of relocating the IND would not have been as great as they might have appeared to be at first sight. I agree that the only option which showed any financial advantage over staying at Lunar House was the purchase of purpose built accommodation. However, the possible saving over 25 years of a net present value of £22 million, that is a saving of less than £1 million a year is, in the particular circumstances, well within estimating margins. Furthermore, as the main immigration Public Enquiry Office would have to remain in the London area, the financial advantages would decrease by a significant amount - £10 million if the Public Enquiry Office was in central London. It is also the case that any savings which would eventually accrue would require a building cost expenditure of £40 million in the first three years. I took the view - and still do - that the financial benefits of relocation were not so clear cut as to compel a decision in favour of such a move, particularly as there were other major considerations against. As I said in my letter, I shall be faced with major competing priorities for resources in IND and elsewhere in the Home Office. The effective relocation of the Nationality Division in Liverpool has of course emerged from the IND relocation exercise.

Turning to the operational disadvantages of relocating, I agree that the consultants took account of some of these, in particular the additional travelling required by senior staff. However, the more we looked at the operational implications of relocation the more difficulties we found. About

The Earl of Caithness
Paymaster General
Treasury Chambers
Parliament Street, S.W.1.

/over...

CIVIL SERVICE: Dispersal PT4.

three-quarters of Immigration Service staff are currently working in the South East - a proportion which will increase further with the opening of the Channel Tunnel. The relocation of IND to a provincial location would remove senior management away from their staff. In addition, as I have indicated, the Public Enquiry Office (which deals with about half of the after-entry division's casework, at a lower unit cost) needs to remain in the London area where some 80% of its customers live. There would be great difficulties in separating the Public Enquiry Office from the main IND operations. I therefore believe that relocation would impose a substantial penalty in terms of management and operational efficiency.

I agree that there can be no assurance that the favourable conditions in the Croydon labour market will continue in the long term. But we are confident that, with our increased emphasis upon mature applicants and part-timers, we should be able to maintain our present satisfactory staffing position. There must be a similar element of uncertainty about the numbers and quality of staff available in any area to which IND might have relocated.

Finally, I note the point that Norman Lamont would wish to take note of a decision "to forego the financial benefits associated with relocation" in this year's PES. I hope that he will also take note of the bold and imaginative step of relocating the Prison Department, where the financial benefits are very much clearer. But in fact the only certain thing I am foregoing in this year's survey is a bid for £40 million for the new purpose built accommodation that would have been required. In the light of your letter I have considered the issues again, but I am satisfied that my decision not to relocate the bulk of IND from Lunar House was the right one. I have of course already announced my decision to relocate the Prison Department.

I am copying this letter to the recipients of yours.

Yours sincerely

APPROVED BY THE HOME SECRETARY
AND SIGNED IN HIS ABSENCE

pmg.vd/docs/homesec

CCPU



NBPM
PRC 6
31/1

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon David Waddington, QC MP
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

30 January 1990

Dear Secretary of State.

LOCATION OF GOVERNMENT WORK: HOME OFFICE IMMIGRATION AND NATIONALITY DEPARTMENT

Flap.

Thank you for your letter of 26 January. I have to say I am disappointed at your decision that those parts of IND which are located in Lunar House, Croydon should remain there. As you will be aware, the report by consultants suggested that there were significant financial and other benefits associated with relocation and that the purchase of purpose built accommodation in the provinces could offer savings over a 25 year period with a net present value of about £22 million. Although my officials expressed some reservations about the detailed methodology used by the consultants in their costings, they did not argue that relocation appeared not to be worthwhile.

Turning specifically to the arguments in your letter:

(a) while I appreciate that relocation would cost a significant amount of money, and that the Home Office will be faced by major competing priorities, the Treasury can, in certain circumstances, provide additional provision to help with some of the costs of relocation provided significant long term savings are likely to accrue;

(b) although there are clearly advantages in having IND located fairly close to the arc of major ports, some at least of the disadvantages of relocation - in terms of the additional travelling - were expressly taking into account in the consultants' costings;

(c) there can be no assurance that the favourable conditions in the Croydon labour market will continue in the longer term.

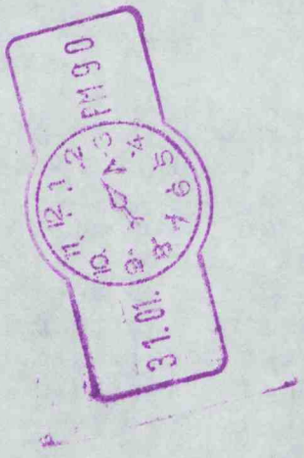
While I recognise that it must ultimately be for you to form a judgement on the merits of the relocation, could I ask you, please, to reflect again on whether the benefits of remaining in Croydon really would outweigh the substantial financial advantages of relocation identified by the consultants or at least put off a final decision until the costings have been refined? Norman Lamont would certainly wish to take note of any decision to forgo the financial benefits associated with relocation and to raise it as a specific issue in this year's Survey.

I am copying this letter to the recipients of yours.

Yours sincerely,

THE EARL OF CAITHNESS

Agreed by The Paymaster and signed in his absence.



CIVIL SERVICE
Dispersal PT4

cc/

dti

the department for Enterprise

The Hon. Douglas Hogg MP
Minister for Industry and Enterprise

Rt Hon Tom King MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1A 2HB

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET
Enquiries
01-215 5000
Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBPM
RRCG
30/1

Direct line 215 5147
Our ref
Your ref
Date 30 January 1990

Dear Tom

— flap + yellow flags

I have seen a copy of your letter of 22 December 1989 to the Paymaster General, and his reply of 9 January about the relocation of the Land and Air Systems Controllerates. I have also seen Peter Walker's letter of 16 January.

As you know, we also were not happy with the original choice of Bristol for this move, for the reasons set out in Tony Newton's letter of 10 July 1989 to George Younger. Our particular concern was that the needs and advantages of other possible locations may not have been taken fully into account, especially against the background of the labour market position in Bristol which Norman Fowler referred to in his letter of 15 July 1989. The current unemployment figures for the Bristol/Bath area indicate that you will still face greater recruitment problems than in other areas.

I do fully accept that the final decision must be yours to make, taking account of operational needs and efficiency, cost, and our wider regional and urban policy objectives. But I am concerned by the apparent contention in your letter that as the staff concerned will be taking with them family members, who will be job seekers, then it would not be sensible to select an area of high unemployment. This would surely be so, to a greater or lesser extent, for all relocation proposals, and such logic if applied widely would effectively neuter the regional and urban policy aspects of the Treasury guidelines.

I am copying this letter to the recipients of yours.

Yours
Douglas

DOUGLAS HOGG

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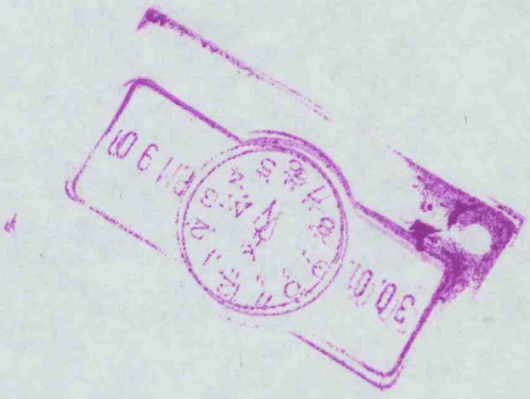


HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

26 January 1990

Dear Lord Caithness,

LOCATION OF GOVERNMENT WORK: HOME OFFICE IMMIGRATION AND NATIONALITY DEPARTMENT

In my response of 17 January to your minute of 8 January to the Prime Minister on the location of Government work, I said that an announcement about the relocation of Immigration and Nationality Department would be made shortly.

I am now writing to let you and colleagues know that I have decided that the bulk of IND should remain at Lunar House, but that the nationality work of the Department should in future be concentrated in Liverpool. My main reasons for reaching these decisions are as follows:

(a) the main benefits of relocation from Central London were achieved when the IND relocated to Croydon several years ago. Further relocation now could yield only marginal financial savings which are well within the limits of estimating error. Even those marginal savings would be available only in return for a capital investment of some £40 million over the first three years, at a time when I shall be faced with major competing priorities for resources in IND and elsewhere in the Home Office;

(b) there is a strong case for IND headquarters to be located near the arc of major ports running south of London, from Heathrow to Dover. A move that was substantially away from that area would be in contradiction of the operational demand;

(c) part of our impetus for relocation was that it might help to solve the acute staffing problems we have been experiencing in Croydon. However, over the last 12 - 18 months we have taken vigorous action on a number of fronts to tackle staff shortages and, as a result, they have largely disappeared. We have carried out an analysis of

The Earl of Caithness
Paymaster General
Treasury Chambers
Parliament Street, S.W.1.

/over...

the Croydon labour market and are confident that, even with the demographic changes now emerging, we should be able to maintain the present satisfactory staffing position in future years. In short, there is now no need to relocate IND for reasons of recruitment and retention;

(d) a different set of arguments applies to IND's nationality work. Now that we are approaching the end of the pre-December 1987 backlog of registration and naturalisation applications, the reduced workload will require a progressive and substantial contraction in the size of the division. Bringing the remaining nationality work together in the existing Liverpool Nationality Office, which was set up to deal with the 1987 crisis, will not raise the same problems as for the rest of IND. There is not the same need for the officers to be near the major ports. Moreover, it will be easier to absorb the surplus nationality staff in Lunar House than it would be in the Liverpool area if we made the contraction by closing our office there. Lastly, the overall costs of the nationality operation in Liverpool should show a saving over Croydon because staff costs are lower and only small units of existing accommodation are required. The precise phasing of the operation needs further consideration but we want to begin redeploying staff away from citizenship work in Croydon as soon as possible, and we should complete the process of transferring the work to Liverpool during 1991.

.... I propose to announce my decision by way of the attached Answer to an arranged Parliamentary Question on Wednesday, 31 January. I would inform the unions and the staff most directly affected by the decision shortly beforehand.

I am copying this letter to the Prime Minister and other members of the Cabinet, to Richard Luce and to Sir Robin Butler.

Yours sincerely,

Peter Lilley

APPROVED BY THE HOME SECRETARY
AND SIGNED IN HIS ABSENCE

PARLIAMENTARY QUESTION FOR WRITTEN ANSWER ON WEDNESDAY, 31 JANUARY 1990

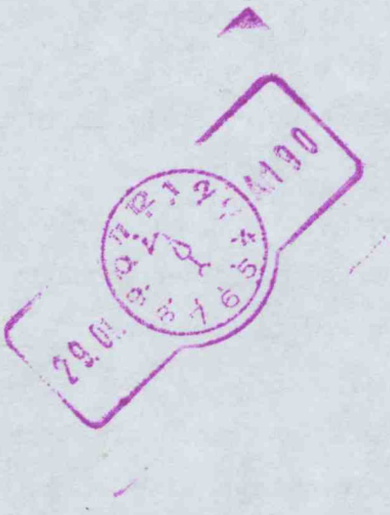
Mr/Mrs [to be arranged] MP ( ): To ask the Secretary of State for the Home Department, whether a decision has been reached on the relocation of the Immigration and Nationality Department from Croydon.

DRAFT REPLY

We have decided that those parts of IND which are at present located in Lunar House, Croydon should for the most part remain there. This decision has been taken in the light of a report by consultants on the feasibility and desirability of the relocation of IND and further work on costings and benefits. That further work has revealed that most of the financial and other benefits of relocation were realised when IND moved to Croydon in the first place.

We have however decided that the nationality work of the Department can with advantage be brought together in the existing Liverpool Nationality Office which would otherwise not be needed beyond April 1991. In reaching this decision we have taken account of the likely reduction in the future volume of nationality work. We should complete the process of transferring the nationality work to Liverpool during 1991.

CIVIL SERVICE: Disposal ...
Policy 1984



CC/VI

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Tom King MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1A 2HB

PG Bowe

CDP
26/1

25 January 1990

Dear Tom,

I read with great interest Peter Walker's letter of ~~16~~ January about your decision to relocate the Land and Air Systems Controllerates to Bristol rather than South-East Wales.

I recently had a similar experience to Peter's concerning the British Council whose management from the outset never raised their sights from Manchester and used every argument possible to devalue the excellent, and to my mind, clearly superior, case presented for Glasgow. Some of the arguments presented were as questionable as those listed by Peter in his dealings with the Controllerates. The Glasgow case, moreover, had the support of the Government through the Council's sponsors the Foreign and Commonwealth Office and the Overseas Development Administration who possibly looked at the merits of the case more objectively. However, even that was not enough to influence management in their recommendation to the Board.

You will be only too well aware from your days in the Northern Ireland Office that we do not compete on a level playing field in such matters - if we did we would secure a far greater share of the job opportunities offered by civil service relocation than has been the case to date. In his Statement to the House on 17 January Malcolm Caithness, to whom this letter might more appropriately have been addressed, announced that decisions had been taken to relocate more than 16,000 jobs out of London but only a handful of these will go to Scotland, Wales or Northern Ireland. Of course, many of those jobs related to functions which are in Scotland the responsibility of the Scottish Office. But, even so, given that the heavily populated areas in the South of England were not competing for them we might have expected noticeably more, and not only low level processing posts and clerical support grades. I am sure Peter Walker and Peter Brooke would endorse that view and agree with me that the figures simply illustrate the problems we are all up against when competing for these jobs. How do we explain this to our local electorates?

Like Peter I am regularly confronted with the same nonsense about perceived problems over travel time and distance to central London. I regularly make the journey from my office in Central Edinburgh to my office in Whitehall in under 3 hours. From my office in Glasgow it can be even quicker with a 12 minute journey from the city centre to the airport where there is a choice of some 30 flights every day to London. I doubt if any major city in the UK can match that.

It is clear that something must be done to ensure a fairer and more equitable share of future dispersals out of London. If not the relocation of the next 15,000 posts under review will surely tell a similar story. I would be interested to have the views of Malcolm Caithness on this.

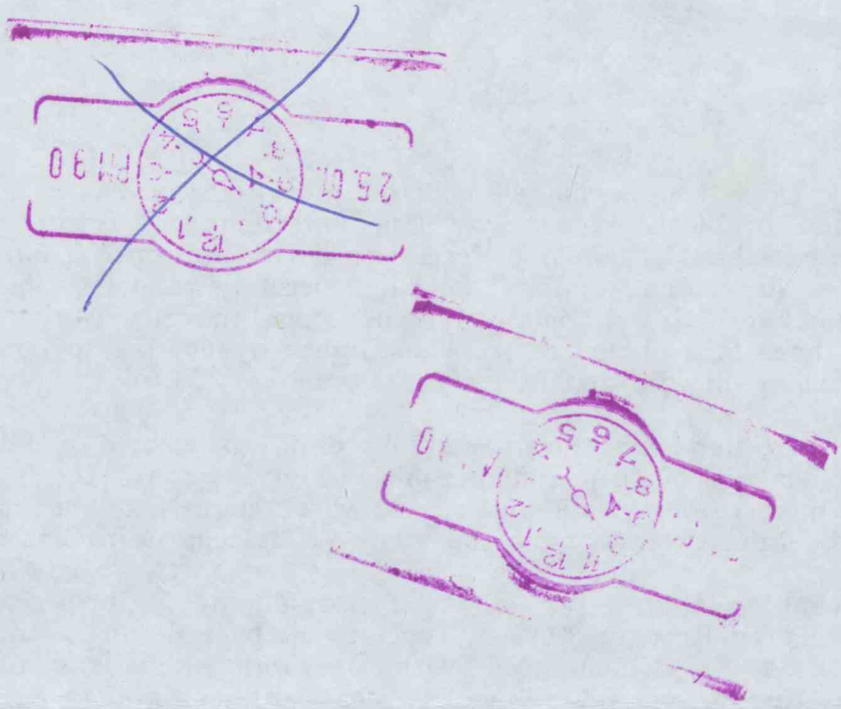
Peter Walker

I am copying this letter to the Prime Minister, Chris Patten, Nicholas Ridley, Peter Brooke, Norman Lamont, Michael Howard, and to Sir Robin Butler. A copy also goes with previous exchanges to John Major, Douglas Hurd, Lynda Chalker, Malcolm Caithness and to Richard Luce.

Yours ever,

MALCOLM RIFKIND

CIVIL SERVICE : Disposal Pile.



From: THE PRIVATE SECRETARY

cc PM

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

17 January 1990

NBBm
ARLG
17/1

Dear Paul

LOCATION OF GOVERNMENT WORK

The Home Secretary has seen the Paymaster General's minute of 8 January to the Prime Minister and is content with the proposed Parliamentary Answer and the timing of its issue. As the Prime Minister will be aware, an announcement about the reorganisation and relocation of the English Prison Service above establishment level was made on 11 January; one about the Immigration and Nationality Department will be made shortly.

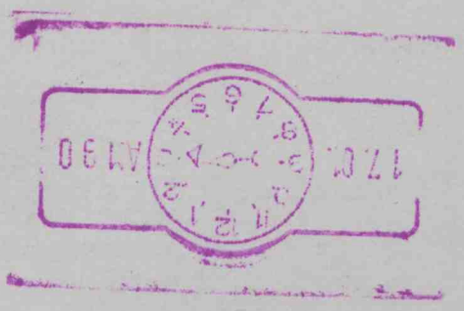
I am copying this letter to the Private Secretaries of recipients of the Paymaster General's minute.

Yours ever

C J WALTERS

Paul Gray, Esq
Private Secretary
10 Downing Street
LONDON, SW1

CIVIL SERVICE: Dispersal Pkt.



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CC PM

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

16 January 1990

CBD 16/1

WILL REQUEST IF REQUIRED

I was naturally shocked to get your letter of 10 January as I firmly believe that the relocation of the Land and Air Systems Controllerates should have come to Wales.

You are surely aware that it is a total nonsense to argue that there is the availability of a good workforce in Bristol at the present time. To spell out the scale of the difference, the 15,000 unemployed in the Bristol travel to work area compares with 45,000 in South East Wales. I would hasten to add that the idea that you are going to concentrate particularly upon the long-term unemployed in Bristol is unconvincing to say the least: you and I both know that it is very unlikely that many of the long-term unemployed in Bristol will prove to be suitable for your requirements. Moreover, a whole range of firms which have moved to Bristol over the past 3 or 4 years are now looking for accommodation on our side of the Severn because they realise the magnitude of the problems of recruitment and of escalating costs in Bristol.

What was clear from the very beginning of these discussions was that MOD staff were very anxious to be in Bath or Bristol which is why they produced every possible reason against any other alternative including, to mention just one, the absurd argument that their children would all be forced to speak Welsh.

The Rt Hon Tom King MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

/There is.....

There is also the nonsense that the travel time from South East Wales to London would be 2 hours 45 minutes. It so happens that I do the journey from Cardiff to my offices in London adjoining the Ministry of Defence offices more frequently than most and it is total rubbish to say that there is a 2 hour 45 minute travel time. On many occasions I do the journey in just over 2 hours.

As to housing, there are now massive differences between the price of houses in Bristol and South East Wales.

Certainly, I would be very happy to challenge all of those that advised you on this and to appoint an objective outside assessor, as there is no doubt that they would come to the conclusion that at this moment in the economic cycle it is absolutely crazy to go to the Bristol/Bath area.

However, the decision has been made and there is, I suppose, nothing that we can do about it. Wales remains a place where the MOD enjoys the use of vast areas of land for its training, but decides not to have any major army unit in the whole of the Principality, while enjoying a mass of low flying exercises, including causing considerable hostility at the Eistedfodd in spite of having given promises that they would not do so.

I am sure however that London, Bristol, Bath, Bournemouth, Eastbourne and similar places will remain suitable for the requirements and tastes of the staff of the MOD and Wales will be used as an appropriate training area where the minimum staff should be located.

In all seriousness I do think it is rather urgent that the MOD adopt a more positive approach towards Wales. Otherwise I fear that at some point in the not too far distant future the atmosphere is going to get pretty sour.

/ Copies of this letter to the Prime Minister, Chris Patten, Nicholas Ridley, Peter Brooke, Malcolm Rifkind, Norman Lamont, Michael Howard, and to Sir Robin Butler.


16.01.
PM 9 0

FILE

MEM

JOHN MILLS
POLICY UNIT

LOCATION OF GOVERNMENT WORK

The Prime Minister has authorised me to write out in the attached terms. She has not commented on your detailed drafting points on the Written Answer and I suggest that you might pursue these yourself with the Treasury.

PAUL GRAY
15 JANUARY 1990

RESTRICTED

MRM

cc PJ

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 January 1990

Dear Malcolm,

LOCATION OF GOVERNMENT WORK

The Prime Minister was grateful for your Paymaster General's minute of 8 January and for the draft Parliamentary Written Answer. The Prime Minister welcomes the progress achieved on relocations, and is content for the Paymaster General to give a Written Answer this week. She is however more doubtful about the possibility of publishing a short White Paper later in the year, which she feels would be too high profile an approach and could cause controversy.

I am copying this letter to Private Secretaries to members of the Cabinet, Martin Le Jeune (Privy Council Office), Juliet Wheldon (Law Officers' Department), Myles Wickstead (Overseas Development Administration), Trevor Beattie (Department of Environment; Minister for Local Government's Office) and to Sonia Phippard (Cabinet Office).

Yours,

Paul

PAUL GRAY

Malcolm Buckler, Esq.,
Paymaster General's Office
HM Treasury

6

RESTRICTED

PRIME MINISTER

LOCATION OF GOVERNMENT WORK

The Paymaster General has minuted you (Flag A) summarising progress on Departmental relocation reviews and attaching a planned parliamentary Written Answer reporting on the position.

His minute is moderately encouraging. But the Policy Unit (Flag B) suggest it is a bit disappointing, and they have three main comments:

Leave above for time being. Progress is quite good

i) While welcoming the progress achieved you might ask whether enough is being done and in particular question why over 200,000 posts will remain in the South East.

Agree - No white paper. It will only stir things up.

ii) You should express caution about the idea that the Paymaster General moots of a White Paper later this year.

iii) They have various detailed comments on the draft PQ Answer.

You might want to leave the Policy Unit to pursue the detailed drafting points under iii). But on the substantive issues:

a) Content for the Paymaster General to proceed subject to any Departmental comments?

Or

b) Do you want to raise the Policy Unit comments at i) and ii) above? Note comments on (ii)

RRCG.

(PAUL GRAY)

MT

12 January 1990

location.dca

PAUL GRAY 11 January 1990

LOCATION OF GOVERNMENT WORK

The Paymaster General's minute of 8 January.

The list of 16000 posts decided upon for relocation since January 1988 is clearly welcome. But it needs to be said that this figure can easily be seen as rather disappointing in the light of the bullish tone adopted by the Government when the new relocation policy was announced:

- 16000 is only 7% of posts in London and the South East;

- even when all these have moved (not before 1992) there will still be over 200,000 posts in London and the South East. That is about 34% of all civil service posts;

- the 14750 posts still under review are unlikely to make a large additional impact. 9000 of them have already been identified as "unsuitable for relocation in the short term". That sounds like a euphemism for no change.

The three departments listed in Annex B with the biggest numbers in the South East are MOD, Home Office and Customs. Between them they still have 90,000 posts in the South East. Only 8% of these are now shown as under review, and this must include a large number from the 9000 still under 'review' but already deemed unsuitable for relocation. Critics of the Government will not find it hard to interpret this as little progress.

I suspect one reason is that attention has been focussed mainly on what can be moved from London rather than the South East as a whole. Yet the relocation policy does relate to the whole South East. It would be worth asking some questions about this, and to probe exactly what is occupying 200,000 civil servants in the South East which cannot as well be performed in other, cheaper regions.

I certainly doubt the wisdom of a White Paper later this year. This would just expose the Government's record to more detailed scrutiny and generate awkward questions about the third of the civil service still in the South East.

Some points of detail on the first paragraph of the draft PQ answer (revised version):

- it refers to the benefits for inner city as well as regional policy. Last year's PQ was more circumspect and referred to 'regional and urban policy', I suspect because none of the new locations were precisely in inner city areas. (The Paymaster General in his minute refers to 'inner city policy locations'). This ought to be checked. It might be more accurate just to refer to 'regional policy'.

- the penultimate sentence links Departments' management reviews with "... taking advantage .... of the benefits for our regional and inner city policies ...". That does not look right. It is for Ministers to decide on the management reviews mindful of the wider policy benefits. I suggest a redraft (taking account also of the point above):

  (line 11)

  "..... which relocation can bring. In taking decisions on these reviews Ministers will also take into full account the benefits for our regional policies of relocating work away from the South East ..."

- the last sentence has survived from the first draft (8 January) and is now quite out of place. If retained, it needs to follow the first sentence.

But I would suggest it is dropped altogether. The point was made last year and one might expect that what was then at the 'earliest stage' was no advanced.

Conclusion

There has been some progress on relocation but the record is perhaps not as good as appears to be being made out. It is a subject easily prone to inertia by Departments and some awkward questions from the Prime Minister to counteract this and remind everyone of her concern about relocation would be timely.

Recommendation

I suggest the Prime Minister is invited to

- agree the draft PQ subject to the amendments to paragraph 1 above;

- express caution about the idea of a White Paper later this year;

- while welcoming the progress which has been achieved, to question whether we are still doing enough, since the proportion of total South East posts for relocation or under review remains very small.

She might raise the question why 200,000 plus posts still need to remain in the South East, and whether relocations to other regions from areas of the South East other than London feature significantly in the reviews now in hand.

John Mills.

JOHN MILLS

CIVIL SERVICE: Deferral PT 4

47a/2 pmg.vd/docs/king

MANAGEMENT IN CONFIDENCE

NBPM

RRC6 10/1

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tom King MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

9 January 1990

Dear Tom.

with PG.

RELOCATION

Thank you for your letter of 22 December 1989.

As Peter Brook noted in June, the case for relocation is very powerful and the choice of Bristol looks attractive. The further work you have done serves to confirm those judgements. It is important now to maintain the momentum of this work to realise the substantial financial benefits, as well as the management advantages from the siting of the three Controllerates in the same geographical area. The latter would be strengthened by full colocation of the streamlined Sea Systems Controllerate, but this will need to be justified on its own merits in the normal way.

Relocation costs will need to be contained within the agreed cash plans for defence for years up to 1992-93, and thereafter funded within an LTC that is consistent with the earlier plans.

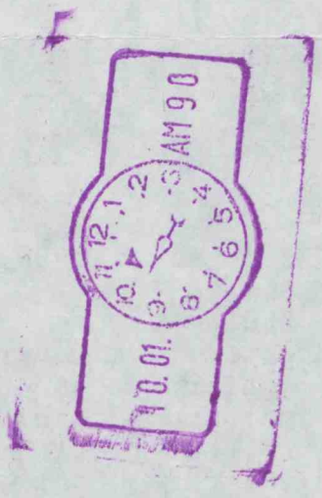
Officials will need to keep in touch with further progress on the Land and Air Systems relocation and with the further work on the Sea Systems colocation.

Copies of this letter go to the Prime Minister, Michael Howard, Chris Patten, Nicholas Ridley, Peter Walker, Peter Brooke, Malcolm Rifkind and Norman Lamont, and to Sir Robin Butler.

Yours ever
Malcolm

THE EARL OF CAITHNESS

MANAGEMENT IN CONFIDENCE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RESTRICTED

FROM: PAYMASTER GENERAL
DATE: 8 JANUARY 1990

PRIME MINISTER

LOCATION OF GOVERNMENT WORK

In his minute of 1 February last, my predecessor reported progress on departmental relocation reviews following the 1988 Public Expenditure Survey. I now report further progress since then, which I propose to summarise in a written Parliamentary Answer in the middle of this month.

The relocations firmly planned and announced by departmental Ministers since early last year total well over 16,000. (The details at Annex A anticipate David Waddington's imminent announcement regarding the Prison Service.) The large majority are destined for assisted areas and inner city policy locations, as we hoped would happen. The total already exceeds both the 12,000 posts moved or created outside London and the South East between 1979-87, and the 4,900 posts transferred between 1974-1979.

I appreciate the work that colleagues and their departments have put into the preparation of their relocation decisions. The interdepartmental consultation procedures we agreed as part of the policy are designed to provide departmental Ministers with good information on the full range of relocation options. Colleagues with reviews in hand will want to ensure that this objective is achieved. Officials are looking at ways of making the procedures as helpful as possible, in the light of experience so far.

On the financial side, we have been able to help by reaching settlements in the last Survey which include provision of £85 million rising to £100 million in 1992-93 towards transitional costs, of which some £26 million rising to £55 million is for capital. This should all be more than recouped through savings and better value for money.

RESTRICTED

Once relocations are decided, the emphasis switches to the important and difficult personnel aspects of implementing them. We are providing help through much increased flexibility over meeting the costs of those moving with their work, with the reallocation of staff wishing to remain in or around London, and by promoting interchange of experience between relocating departments.

Some 14,750 posts in London and the South East are still at various stages in the review process. Annex B shows the main departments concerned. If, as I hope, these reviews lead to the announcement of a significant number of further relocation plans, we may find that the total number of posts identified for relocation since the initiative started will tend towards 20,000 over the next year or so. There could then be advantage in publishing a short White Paper summarising the results up to the end of 1990. This would make clear the scale on which the initiative was succeeding, and enable us to give some details of the types of work being moved, timescales and destinations, the costs and benefits expected; and reflect the trouble departments are taking to ease personnel management problems.

In the meantime, the total for announcement this year already makes clear that the policy is having a significant impact and I would be grateful for your and colleagues' agreement to the attached Parliamentary Answer, which I suggest be given simultaneously in both Houses on 17 January.

I am copying this minute and its attachments to members of the Cabinet, Richard Luce, Patrick Mayhew, Lynda Chalker and David Hunt; and to Sir Robin Butler.

THE EARL OF CAITHNESS

55.1/nmh/ajm/29.11.07

ANNEX A

DEPARTMENTAL DECISIONS TO RELOCATE OUTSIDE THE SOUTH EAST TAKEN SINCE JANUARY 1988

DEPARTMENT	POSTS	
Inland Revenue	3700	2100 HQ posts to Nottingham; 1600 PAYE posts to various.
MOD	2550	1500 Quality Assurance posts to Teesside; 1050 small moves to various.
Customs and Excise	1900	Including 1700 HQ posts to Liverpool and Manchester, subject to consultation with staff/unions.
DSS	1860	1060 posts to Glasgow, Belfast and Wigan "backroom" work in Social Security offices. 800 posts to Leeds, mainly HQ posts for prospective Benefits Agency.
DTI	1140	Includes Patent Office to Newport (850), Insolvency service to Birmingham and Edinburgh (170)
Home Office	1125	Including around 1000 Prison Service HQ posts to the Midlands
Employment Group	1100	775 D/E HQ posts to Runcorn; 325 (mostly Training Agency and Employment Service) to Sheffield.
D/Health	1000	Mainly NHS Management Executive to Leeds.
Land Registry	490	To Telford and Leicester.
MAFF	475	Chiefly central science laboratory to Midlands (400)
Other departments (eg OPCS, Cabinet Office, DES, DTp)	795	
TOTAL	**16135**	

55.1/nmh/ajm/29.11.10

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ANNEX B

DEPARTMENTAL RELOCATION REVIEWS: 1989 SURVEY RETURNS

DEPARTMENT	POSTS IN SOUTH EAST	
	UNDER REVIEW	TOTAL
Ministry of Defence	4500	58500
Home Office	2010	17600
DTI	2000	8300
Land Registry	1700	2800
DOE	975	5000
Customs & Excise	750	14600
MAFF	600	4800
Other departments (including Treasury, IBAP, DSS, DTp)	2215	

	14750	

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DRAFT WRITTEN ANSWER

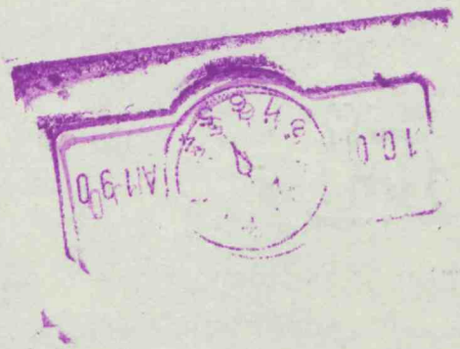
On 9 February 1989 [we announced/the then Paymaster General informed the House] that over 34,000 Civil Service posts had been reported in the 1988 Public Expenditure Survey as under review for location or relocation away from the south East in accordance with the policy which had been announced on 31 March 1988. This policy does not involve any central targets for the number of posts relocated nor propose specific locations. Departments have instituted systematic review programmes to cover the location of all their work, with a view to taking advantage of the value for money benefits and advantages for staff and management which relocation can bring, and the benefits for our regional and inner city policies of relocating work away from the South East. It was emphasised that many reviews were then still at the earliest stage and that not all the posts would move.

Since early in 1988 decisions have been taken and announced to relocate well over 16,000 posts over the next 2 or 3 years. These include 3,700 by Inland Revenue, 2,550 by MOD, 1,900 by Customs and Excise, 1,850 by DSS, over 1,100 each by DTI, Home Office and the Department of Employment, and 1,000 by the Department of Health. About 9,000 posts have been found to be unsuitable for relocation in the short term, and departments have extended their reviews to include some 6,000 additional posts, leaving nearly 14,750 in the review process. Nearly all the decisions announced so far involve moving work to areas which are the focus of the Government's regional or inner city policies. Further announcements can be expected in due course.

These figures may be compared with the 12,000 posts moved or created outside London and the South East between 1979 and 1987, and less than 5,000 moved between 1974 and 1979.

Successful relocation requires careful planning; departments have therefore exchanged experience and, where appropriate, coordinated action with other relocating departments, found alternative posts for some staff not wishing to move, and made good use of increased flexibility in the personnel management field.

CIVIL SERVICE: Dispersal PT4



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PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Gray Esq
Private Secretary
No 10 Downing Street
LONDON SW1

9 January 1990

Dear Paul,

LOCATION OF GOVERNMENT WORK

The Paymaster General wrote to the Prime Minister on 8 January attaching a draft Written Answer which he proposed should be made on 17 January. I should be grateful if you could replace the draft Written Answer attached to the Paymaster's minute with that attached to this letter.

I am copying this to the Private Secretaries of the recipients of the Paymaster's minute.

Yours,

MALCOLM BUCKLER
Private Secretary

55.1/nmh/ajm/30.11.01

TAKEN OFF PROGRAM 8.1.90.
"LOCATION OF GOVT. WORK"
Overtaken
see PMG to PS 9-1-90

DRAFT WRITTEN ANSWER

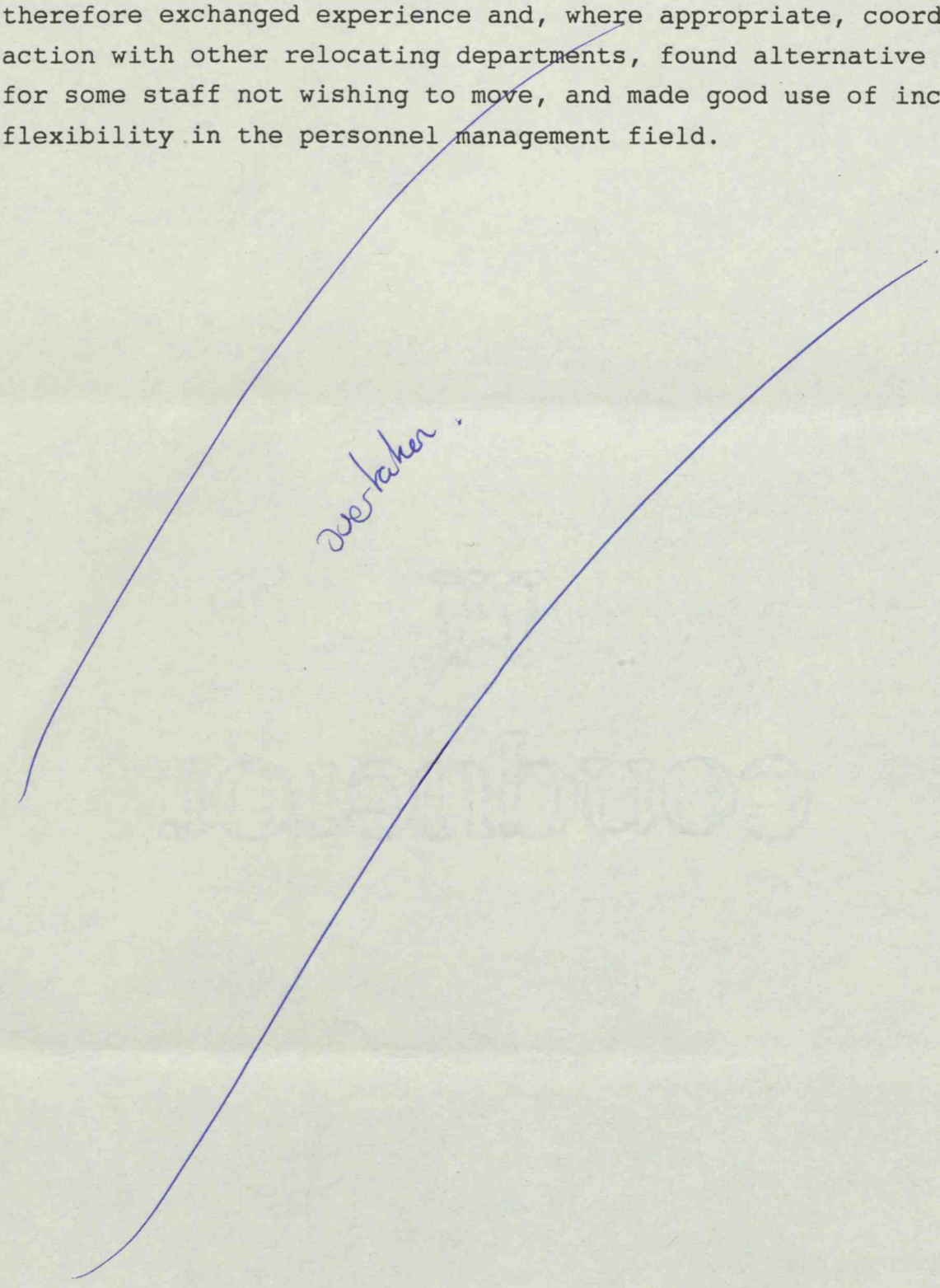
On 9 February 1989 [my predecessor announced in another place/the then Paymaster General informed the House] that over 34000 Civil Service posts had been reported in the 1988 Public Expenditure Survey as under review for location or relocation away from the South East in accordance with the policy which he had announced on 31 March 1988. He emphasised that many reviews were still at the earliest stage and that not all the posts would move.

Since early in 1988 decisions have been taken and announced to relocate well over 16000 posts, generally over the next 2 or 3 years. These include 3700 by Inland Revenue, 2550 by MOD, 1900 by Customs and Excise, 1850 by DSS, over 1100 each by DTI, Home Office and the Department of Employment, and 1000 by the Department of Health. About 9000 posts have been found to be unsuitable for relocation in the short term, and departments have extended their reviews to include some 6000 additional posts, leaving around 14750 in the review process. Nearly all the decisions announced so far involve moving work to areas which are the focus of the Government's regional or inner city policies. Further announcements can be expected in due course.

These figures may be compared with the 12000 posts moved or created outside London and the South East between 1979 and 1987, and less than 5000 moved between 1974 and 1979.

The current policy does not involve any central targets for the number of posts relocated nor propose specific locations. Departments have instituted systematic review programmes to cover the location of all their work, with a view to taking advantage of the value for money benefits and advantages for staff and management which relocation can bring, and the benefits for our regional and inner city policies of relocating work away from the South East.

Successful relocation requires careful planning; departments have therefore exchanged experience and, where appropriate, coordinated action with other relocating departments, found alternative posts for some staff not wishing to move, and made good use of increased flexibility in the personnel management field.



CIVIL SERVICE: Dispersal PTU.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

MO 5/27L

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

22 December 1989

Dear Malcolm.

RELOCATION

George Younger wrote to Peter Brooke and to colleagues on 14th June, inviting comments on proposals to relocate the Land and Air Systems Controllerates of the Procurement Executive to Bristol. I have carefully reviewed the original studies and commissioned further work in the light of colleagues' comments in response to George's letter. I am now writing to let you know how I intend to proceed.

Firstly, I have decided to expand the scope of the project by including in it the staff of the Ordnance Board, and those of my Defence Contracts organisation who are not already bedded out in project teams or elsewhere. This will bring the total number of posts involved to some 3,800, of which 1,100 are non-mobile grades. It will also further enhance the savings from the project, which investment appraisal now shows as having an NPV over 50 years of £600m at a TDR of 6% (the earlier figures were at the old rate of 5%), as well as bringing improvements in efficiency and the working environment of the staff concerned. Payback on a new building would occur in 4-5 years.

The Earl of Caithness

The economic case for relocation therefore remains overwhelming, and the key question is, as before, the choice of the most suitable area. Here there are several important factors which make this project quite unlike any other relocation we in the MOD have previously undertaken.

To begin with, I cannot overlook the fact that the operational effectiveness of the Controllerates depends heavily upon very close links, often at short notice, with other elements of the MOD in London (Ministers, Service Staffs, and so on); with the research establishments at Fort Halstead (Kent), Chertsey and Farnborough; and with their contractors. Analysis shows that some 20% of the meetings that relocated staff will need to attend are in London, and that if these are set aside 68% of the remainder will be to establishments and companies located in the South-East of England, with a further 15% in the South-West. Video conferencing, which will be an essential provision, should contribute usefully to reducing the number of London visits, but it can do nothing to obviate the need for visits to the research establishments and industry. Rapid surface communications with the Controllerates' points of contact are therefore an essential requisite.

There is, however, a further unusual factor whose full significance has become apparent from the further work that has been carried out since June. Surveys have shown that a very high proportion - about 70% - of the staff whom we expect to move have partners who work, or who would wish to do so following relocation. The area we choose must therefore be one capable of providing suitable job opportunities for these people. What is more, this high figure means that we will be taking with us substantially more job seekers (about 2,000) than job opportunities (1,100), and the

overall effect on the local labour market will be negative. An area of very high unemployment would not therefore be a sensible choice in this instance.

These figures also mean, of course, that our own requirements of the local labour market are, to a degree, mutually conflicting: it needs to offer good job prospects for the partners of our relocated staff, while at the same time offering us the prospect of recruiting the support staff we ourselves will require. Several colleagues, in responding to George Younger's letter, expressed doubts on this latter score in relation to a choice of Bristol. I accept that Bristol, with an overall unemployment rate of some 5.6%, is not one of the worst hit areas of the country. But there are 15,600 unemployed in the Bristol travel to work area, and concentrations of very high local levels: in south Bristol alone, there are some 5,000 long-term unemployed, with percentage rates well into double figures, and some 2,000 individuals on Government training schemes. I am satisfied that by targetting these areas and working closely with the Employment Department and local authorities we could meet our recruitment needs if, as proposed (though George's letter did not make this clear) a site on the eastern outskirts of the city were selected.

These factors, together with others set out in George's letter, mount up to a powerful case for the choice of East Bristol, but arguably not a conclusive one. Birmingham/Coventry, for example, can undoubtedly offer good recruitment and employment prospects and excellent communications, while South Wales could also meet our recruitment and employment needs, although journey times (and hence costs) to the centre of gravity of the Controllerates' operations would be some 20-25% greater than from Birmingham or Bristol. There

are, however, two further factors which, I have decided, clinch the case for East Bristol.

The first of these is cost. Investment appraisal confirms that East Bristol offers the greatest cost savings: the NPV of £604m over a 50 year period compares with £585m for Birmingham/Coventry, and £564m for Cardiff. The second, related, factor is the scope that the choice of East Bristol offers for securing still further cost savings and efficiency improvements.

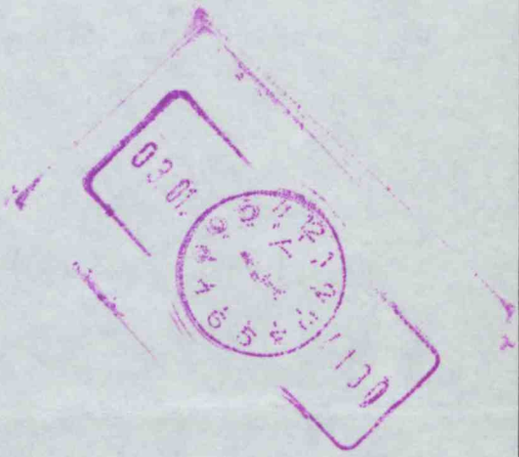
In parallel with the Land and Air Systems project I have also been studying the future structure and organisation of the Procurement Executive's third Controllerate, which deals with Sea Systems. Of this Controllerate's 4,000 and more staff, some 2,500 are currently located in Bath, with a further 640 at Portsmouth and 575 at Weymouth. I would hope in due course to be able to collocate the Controllerate in Bath, at the same time reorganising it and reducing it in size to between 2,500 and 3,000. The move, a little downstream of the others is subject to the affordability of the initial investment and, of course, to a reasonable pay-back period.

Locating the Land and Air Systems Controllerates, Ordnance Board and Contracts staff in East Bristol, and the slimmed-down Sea Systems Controllerate in Bath, provides us therefore with a unique opportunity not only to reap the very substantial cost and efficiency benefits these changes offer in the short-to-medium term, but also to proceed from them to further reorganisation and reduction to meet the needs of the later 1990s and beyond. No other site offers us this prospect without incurring pointless additional expenditure and disruption in moving the Sea Systems Controllerate also.

I now intend therefore to press ahead with the scheme I have outlined in order to secure the major savings it offers as soon as possible. I have authorised the release of the relevant study reports to the MoD TU Side as part of the normal process of consultation in such matters, and propose to make a public announcement as soon as the period of consultation is complete. In implementing the scheme I plan to make the maximum use of the private sector and of competition in procuring the necessary buildings and services, though the PSA will be given the opportunity to compete, and in this way I envisage that the relocation of the Land and Air Controllerates can be achieved by the latter part of 1993. I shall be making the necessary provision for the relocation of the Land and Air Controllerates in my Department's long term costing.

Copies of this letter go to the Prime Minister, Norman Fowler, Chris Patten, Nicholas Ridley, Peter Walker, Peter Brooke, Malcolm Rifkind and Norman Lamont, and to Sir Robin Butler.

Tom King



THE DEPARTMENT OF TRANSPORT

WBPM CAB

CC PLY

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

My Ref: C/PSO/13372/89

Your Ref:

25 OCT 1989

Dear Peter,

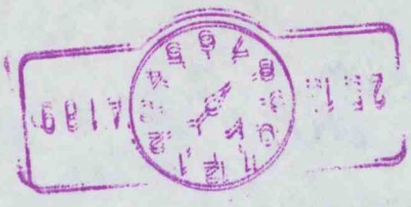
LOCATION OF GOVERNMENT WORK

Your letter of 3 October to the Paymaster General drew attention to the potential for relocating Government work in Wales. I shall ensure that officers conducting reviews in my Department see both your letter and the brochure produced by Blaenau Gwent.

I am copying this letter to Cabinet colleagues.

Yours ever,

CECIL PARKINSON



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PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER

17 October 1989

Dear Peter

RELOCATION OF CIVIL SERVICE POSTS TO WALES

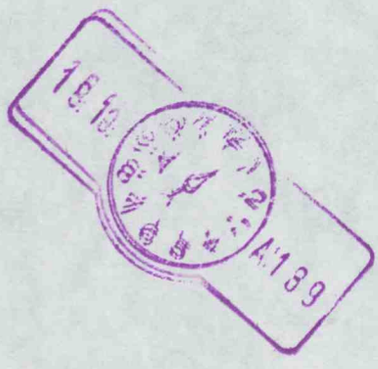
Thank you for your letter of ~~3~~ October with request if required on the considerable relocation opportunities in the Principality.

I am surprised by your suggestion that these opportunities have still to be recognised by colleagues, bearing in mind that the DTI, MOD and Inland Revenue have, since the start of 1988, decided to move a combined total of nearly 1,200 posts to Wales. But these are still early days for the policy, and I am confident that your officials will have many more enquiries to field as the review process gathers pace.

I am copying this letter as before.

Yours ever
Malcolm

THE EARL OF CAITHNESS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SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL. LONDON SW1A 2AU

NBPM

Simon Judge Esq
Private Secretary
Paymaster General
HM Treasury
Parliament Street
LONDON
SW1P 3AG

27 July 1989

Dear Simon,

LOCATION OF GOVERNMENT WORK

My Secretary of State wrote to Mr Brooke and to colleagues on 24 July highlighting the arguments for dispersal of Government work and pointing out the need to tackle the misconceptions about Scotland which are held by many who have an influence on issues of relocation within Departments.

Mr Rifkind's letter indicated that a brochure was being circulated which would address this point. I am sorry that it was not attached to the letter itself, as indicated, but I am now happy to let you and copy addressees have a copy of the brochure. I would be grateful if you would associate it with Mr Rifkind's letter and ensure that it is circulated within your Department. Mr Rifkind would also welcome the views of his Ministerial colleagues on the brochure.

I am copying this to the Private Secretaries to members of the Cabinet, Mr Luce, Mr Mayhew, Mrs Chalker and Sir Robin Butler.

Yours sincerely,

David Crawley

DAVID CRAWLEY
Private Secretary

Enc

HMP207M9.046

Civil Service Appeals Policy

ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

NBPM

The Rt Hon Peter Brooke MP
Paymaster General
HM Treasury
Parliament Street
London SW1P 3AG

24 July 1989

Dear Peter,

LOCATION OF GOVERNMENT WORK

The Government's dispersal programme which you announced last year is well underway and most major departments now have reviews in hand.

I am of course very much in favour of Government dispersal with its strong potential for achieving increased operational efficiency and cost effectiveness and for a more equitable distribution of employment opportunities throughout the United Kingdom.

You will also know that I regard it as essential that Scotland should receive a fair share of such opportunities, against the background of the significant benefits which I consider relocation in Scotland can offer a Whitehall Department.

It is however my impression that, despite the successful relocation in the past of Departments like the MoD and ODA, there are still a number of misconceptions about Scotland at the level at which relocation is first considered in certain Departments. Such misconceptions tend I think to relate to Scotland's perceived remoteness from London and on the differences from other parts of the United Kingdom which some of our political opponents seem so keen to stress. In fact, Scotland is far from remote: transport links with London and Europe are first rate, and I can point to my own Department as an excellent example of what can be achieved in the field of data communication through the use of modern electronic systems. Nor is it a foreign country.

It is with a view to addressing some of these misconceptions, while at the same time emphasising Scotland's advantages to a relocating Department, that the attached brochure has been prepared.

in attached folder

I am sending it to colleagues in the hope that it will inform consideration of dispersal options during the current PES round, and I trust that they will ensure that it is drawn to the attention of the relevant officials. My own officials will be happy to supply further copies to Departments as necessary.

Copies go to members of the Cabinet, Richard Luce, Patrick Mayhew, Chris Patten and Sir Robin Butler.

Yours ever

Malcolm

MALCOLM RIFKIND

cgc 8/1

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/27L

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

16th June 1989

Dear Peter,

RELOCATION

You will recall that towards the end of last year I announced an internal study into the feasibility of moving the Land and Air Systems Controllerates of the MOD's Procurement Executive away from Central London. I have now received the report of this study and am writing to inform you and other colleagues concerned of its results and my conclusions.

The Land and Air Systems Controllerates comprise some 3,500 posts, of which about 2,800 are at mobile grades, including Service officers. These Controllerates are responsible for the procurement of equipment ranging from tanks, to radio sets, to combat aircraft. Their staff are at present distributed between eight London office buildings.

The investment appraisal carried out as part of the study shows the economic case for relocation to be overwhelming. Our present estimates indicate that over a fifty year period the savings would have a net present value of over £600M. Payback on a new building at a new site away from London would occur within five years.

The Rt Hon Peter Brooke MP

More than this, however, I believe that relocation offers the best prospect for improving the working environment of Controllerate staff, and recruitment, both of which are serious problems at present. With one or two exceptions the buildings currently occupied provide very poor accommodation: inflexible in design, they are also difficult and costly to maintain at decent standards of decoration and cleanliness. This has a depressing effect on morale. Housing costs in the London area are forcing staff, particularly young married people, to travel ever longer distances to work at fares they can ill afford. These factors, combined with London pay rates, also mean that recruitment is difficult and staff shortages endemic - a problem to which the Defence Committee has recently drawn attention. Shortages at AA and AO grades in the two Controllerates range from 20% to 40%; at middle management levels they average 16%, and are much higher in some specialist areas such as electronics and computer software. Clearly, such shortages are very damaging to efficiency.

I have no doubt therefore that the two Controllerates should be relocated away from London as soon as practicable. The only question is where they should go. Here I have to take account of several important factors.

The first of these is that the two Controllerates do not comprise free-standing blocks of work. They depend for their effective day to day operation upon an intricate network of frequent contacts with Ministers and senior officials, operational requirements and budgetary staffs, and other groups at MOD Headquarters; with the defence research establishments; with their UK defence contractors; and with other countries in the case of the increasing number of collaborative and offshore procurements.

A new location must therefore be one from which these links can readily be sustained if the efficiency gains from relocation are not to be negated. On the evidence of our current experience with the Sea Systems Controllerate (which is principally located in Bath) a considerable number of visits to London will continue to be required notwithstanding the provision of such obvious essentials as secure telephones, fax, and video conferencing links. On these grounds the study recommended that the maximum acceptable journey time to MOD Headquarters in Whitehall should be two hours. This seems to me to be broadly right since it would enable staff to attend meetings in Whitehall lasting a couple of hours and still put in a useful amount of work at their office. Analysis has also shown that the bulk of the two Controllerates' industrial contacts lie in the South, reflecting the volume of electronics in modern land and air equipment.

The second potential constraint is the age structure of the two Controllerates which, due to the difficulties we have experienced in recruiting younger staff over a number of years, is now heavily skewed towards those of middle age or over. In the Air Systems area almost half the PPTOs and SPTOs are aged fifty or more. These are key project management staff possessing experience and skills which cannot immediately be replaced by local recruitment. Given the existing shortages at management grades we clearly cannot afford to lose very many such people on relocation. That means that both the site selected and the relocation package (the two being to some degree inter-related) must be sufficiently attractive to ensure that only a small percentage of loss occurs in the move.

Against this background and with the criteria that to support 3,500 staff we would require a local conurbation of about 250,000

to provide the necessary infrastructure and an employment pool from which we could expect to recruit both replacements for the 800 or so non-mobile staff whom we assume would not move from London, and our future managers, a wide range of possible locations has been studied. The south east was eliminated for obvious reasons. So too were areas which would entail dependence upon air transport for travel to London, given the prospect of increasing congestion in the London terminal area, and I agree that this is sensible. Possible sites in and around Birmingham, Bristol, Leeds, Leicester and Wolverhampton were examined in detail; Nottingham was also considered, though I now understand that Inland Revenue plan to move some 2,000 staff there; and Cardiff was also re-examined.

The study concluded that, of these areas, Bristol most closely meets the needs of the two Controllerates. It offers the greatest savings because we could build on existing MOD support facilities in Bath (secure communications, personnel management, and training); offers a suitable recruitment pool, and is in an area which appears less likely to suffer from the effects of the demographic downturn than many other regions; possesses the necessary local infrastructure; and offers the shortest journey times to London, together with good communications with the Controllerates' other business contacts. It is also the area overwhelmingly preferred in a survey carried out among Controllerate staff.

There is a further important attraction in location at Bristol, from the point of view of efficiency, in that - given its proximity to Bath - it offers the possibility of locating all three PE Controllerates in the same travel to work area. This would mean that we could offer relocated staff a full career structure without further home moves, and increase the professionalism of staff in

the procurement function - something to which I attach particular importance in the light of the Efficiency Study "Learning from Experience" - through postings of project management staff between Controllerates and improved joint training. In addition it would facilitate future re-organisation of the PE so as to maximise efficiency in the light of changing patterns in our procurement policies and requirements.

The estimated cost of relocation, if an MOD-owned building were to be constructed, ranges between £50M and £60M, depending upon the location chosen. I have no provision in the Defence programme for these costs, and have commissioned a further study into the economic pros and cons of renting suitable accommodation versus those of building and owning. It is possible that greater use of leased accommodation could reduce both the costs and timescale of relocation: my staff will keep in touch with the Treasury on this study, and its budgetary implications. The buildings in London currently occupied by the Controllerates are leased, and there will therefore be no proceeds from disposal of the sites, although relocation would of course yield significant savings in running costs.

I conclude therefore that there is a very powerful case for relocating the Land and Air Systems Controllerates out of London. On the basis of the work done so far, the Bath/Bristol option appears the most attractive. I have now set further work in train to validate this initial conclusion: this further study, which will include consideration of alternative locations, will form the basis on which final decisions on the relocation area can be made. In addition, consideration is being given in parallel to the possible relocation of other parts of the Department from London and the South East: and colleagues will be aware of our recently-announced

decision to move the Directorate General of Defence Quality Assurance from Woolwich to Teesside.

I have not at this stage authorised the release of the study report to the MOD TU Side, which I shall need to do as part of the formal process of consultation. Before doing so, I would be glad of your views, and those of colleagues.

I am copying this letter to Peter Walker, Norman Fowler, Tom King, Nicholas Ridley, Malcolm Rifkind and John Major, and to Sir Robin Butler.

Yours ever,
George

George Younger



With

the Compliments of

Sir Michael Quinlan KCB

Permanent Under-Secretary of State

MINISTRY OF DEFENCE
SW1A 2HB

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2193 (Direct Dialling)
01-218 9000 (Switchboard)

PERMANENT UNDER-SECRETARY OF STATE
SIR MICHAEL QUINLAN K C B

PUS/M89/261
58/6

9th March 1989

Dear Peter,

STAFF MOBILITY - TRANSFER EXPENSES

I read your recent correspondence with Geoffrey Holland with interest; as you know, my Department is likely to be one of those in the forefront of the relocation moves under the current initiatives.

2. The changes and improvements to which your 27 January letter refers have, in the main, come about after long and sometimes laborious dialogue with the Treasury by employing departments concerned over their inability to move people to where they were needed in order to ensure the efficient day-to-day conduct of business. What we are faced with now here is the prospect of having to persuade many times more staff to move with their work and families to different parts of the country, generally those where housing and other costs are lower, yet with the strong probability remaining that many will have to return to London and the South East at some future date to gain experience and develop their careers.

3. Marginal adjustment to the existing transfer-allowances system, developed over forty years ago, will not to my mind be good enough to meetthe challenges. What is needed is more radical change, and I hope that you will give careful consideration to proposals, such as those made by Geoffrey Holland, which Departments have spent some time developing to meet their likely staff management problems during the coming years.

4. Two modest points,which nonetheless illustrate the constraints which we sometimes feel hamper management efforts. The first is the question of equity participation schemes. Some employers have found these to be a useful and necessary tool in attracting and retaining the right recruit; but I understand that we are not to be allowed to go down that route. That is a pity. We have been making "self-help" approaches to financial institutions along the

lines of those mentioned by Brian Unwin in his letter of 31 January to Robin Butler, with similar mixed success. While we have managed to interest one Building Society - the Alliance and Leicester - in running a small equity share scheme for Aldermaston (an area of particular recruitment and retention difficulty), it would have been useful to have been able to consider the option of direct participation with the employee.

5. The second point concerns the new community charge. While staff have had the assurance in the past that any increase in rates on transfer would be compensated for under the allowance scheme, I am told that your current thinking is that the same principle should not apply to the community charge, and that staff who are moved will be left to meet any additional cost themselves. This scarcely seems sensible or equitable at a time when we have difficulty enough already in getting staff to move. I hope that you will be willing to look at this again.

6. I think we are all agreed that it is important for relocation initiatives to be carried through as quickly and smoothly as possible. Given the overall savings expected, there would seem to be a good argument for treating any measures necessary to achieve the transfer of staff under the category of "spend to save".

7. I am sending copies of this letter to Wednesday - morning colleagues.

Yours ever,

Michael

Sir Peter Middleton GCB
Permanent Secretay
HM Treasury
Parliament Street
London SW1P 3AG

cst.ps/17jm8.3/lets

MANAGEMENT IN CONFIDENCE

CDS 9/3

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

8 March 1989

Dear Secretary of State,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

Thank you for your letter of 6 March.

I am, of course, grateful to you for accepting the PES years costs of the proposed relocation and will be happy to consider the 1992-93 bid in our Survey discussion later this year. As regards the second part of your qualification, whilst I would naturally listen to any representations you wished to make should you run into difficulties, I would be extremely reluctant to re-open our 3 year deal, other than in the circumstances we agreed during the Survey.

I am copying this letter to the Prime Minister, David Young, Nicholas Ridley, Norman Fowler, Tony Newton, Peter Brooke and to Sir Robin Butler.

Yours sincerely,

P. Warless

pp JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]

CIVIL SERVICE: Dispersal Pt4

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 5/27V

7th March 1989

Dear Dominic,

RELOCATION OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

I understand that, when you spoke to Steve McCarthy on the telephone this morning, you indicated that if we wished the Prime Minister to make reference to the proposed relocation of DGDQA to Teeside in the course of her speech in Gateshead on Thursday, you would need a proposed form of words today.

The terms of the written answer which we propose to give on Thursday afternoon are at Annex A; a suggested form of words for the Prime Minister on which you may wish to draw in putting together her speech are at Annex B; and at Annex C an unclassified note setting out in more detail the technical nature of DGDQA's work.

Please let me know if you require any further details.

Yours sincerely,

John Colston.

(J P COLSTON)
Private Secretary

Dominic Morris Esq
10 Downing Street

MANAGEMENT IN CONFIDENCE

CCPS

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/27L

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

6 March 1989

CST 6/3

Dear Chief Secretary,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

Thank you for your letter of ~~1~~ 4 March in which you agree to this relocation subject to the accommodation of its costs within the present PES settlement up to and including 1991/92 but indicate that for 1992/93 you will take the Treasury undertaking on relocation costs into account.

Your comparison between the financial effect on the years up to 1992/93 of my proposals for funding a lease arrangement and my proposals for conventional funding seems to reflect a misunderstanding. These are two different options separately identified in the Investment Appraisal which can only be compared properly on the overall basis of expenditure and savings and not by reference to certain years.

The cost of relocation to the Defence Budget over the PES years would be some £60M, and I cannot find sums of this order except at the expense of higher priority defence items or by an increase to the cash risk in LTC 89. I do, however, recognise the need to go ahead, on a measure of such high political profile, in the general interest and taking into account colleagues' support

The Rt Hon John Major MP

for the move. I am, therefore, prepared to accept these costs, with the penalties, on the understanding that you will consider a bid for 1992/93 sympathetically and that you will be ready to reconsider your stand should we run into difficulties. I should also point out that we do have other relocation initiatives under consideration; your interpretation of the Treasury's undertaking in this area is far from encouraging in that regard.

I note Nicholas Ridley's suggestion that an announcement of my intentions would be particularly apposite on 9th March; I will arrange for a Parliamentary Question for answer on that day. There is an Air Force debate on the following day at which further explanations could be given.

I am sending a copy of this letter to the Prime Minister, David Young, Nicholas Ridley, Norman Fowler, Tony Newton, Peter Brooke and to Sir Robin Butler.

Yours sincerely,

(Private Secretary)

for George Younger

(Approved by Mr Younger and signed in his absence.)

CIVIL SERVICE: Dispersal PT4



cst.ps/1jm1.3/drft **MANAGEMENT-IN-CONFIDENCE**

cc PU

CHIEF SECRETARY TO THE TREASURY



Treasury Chambers, Parliament Street, SW1P 3AG

CPJ 1/3

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1 2HB

1st March 1989

Dear George,

PROPOSED RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

Thank you for your letter of ~~9~~ Flat February, I have also seen Nicholas Ridley's and Tony Newton's letters of ~~20~~ February.

I am grateful to you and Nick Ridley for clarifying the role of the Teesside Development Corporation.

As regards the need for and future size of the DGDQA organisation, I am content with the outcome of the discussions between our officials and agree that the relocation proposal is not invalidated.

On funding, I am not sure of the basis of the bid you are making. As I understand your position, you can manage the cash flow consequences of leasing. The figures for which you are bidding in your letter are however the full cash flow consequences of the conventional funding route. The difference ie £1.6m in 1989-90: £11.9m in 1990-91; £19.0m in 1991-92 and £24.5m in 1992-93 is therefore presumably the real size of the problem you perceive. But this perceived problem has to be seen in the context of the forecast £700m plus underspend on this year's Defence Budget, a Budget which itself runs at over £20 billion a year. This suggests that the Defence Budget will have less difficulty than you suppose in absorbing the extra up front costs of £32.5m in the PES period.

Civil Service: Dispersal PT4.

MANAGEMENT-IN-CONFIDENCE

Be that as it may, the fact is that we agreed in PES 1988 a 3 year settlement for your department with your specific assurance that this would not be re-opened except in certain specific circumstances. The cost of relocation is not one of those circumstances. I believe, as I hope you do, that it is important to hold to our agreement. I am prepared, however, in line with the Treasury undertaking on relocation costs, to consider the position for 1992-93 in the normal course of our PES discussions.

As regards leasing, your figures make clear that this is poorer value for money than the conventional funding route.

This relocation would, as you say, be an important demonstration of the Government's concern with the problems of the North East as well as underlining your own department's commitment. I hope, therefore, that you will be able to accommodate the costs within your existing provision.

I am copying this letter to the Prime Minister, David Young, Nicholas Ridley, Norman Fowler, Tony Newton, Peter Brooke and Robin Butler

Yours Ever, John

JOHN MAJOR



MANAGEMENT IN CONFIDENCE

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

20 February 1989

Dear John

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

George Younger copied to me his letter of 11 February to you on the relocation of DGDQA.

I am pleased to see that the potential role of the Teesside Development Corporation is now clear and that a move to Teesside remains the favoured option. As you know I strongly support such a move and would hope that you can find a way to make it possible. The move of the DGDQA to Teesside would be excellent news to announce on 9 March, the anniversary of the 'Action for Cities' launch.

I am copying this letter to the Prime Minister, the Secretaries of State for Trade and Industry, Defence and Employment, the Chancellor of the Duchy of Lancaster, the Paymster General and the Secretary of the Cabinet.

Yours ever

NICHOLAS RIDLEY

CIVIL SERVICE: Dismissal pt 4



dti

the department for Enterprise

CCPU

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

1. DCGM To see

2. nbpm yet (await Tsy letter)

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5147
Our ref
Your ref
Date 20 February 1989

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

I write in support of George Younger's letter to you dated 9 February. As you know my Department has long been interested in this proposed relocation to the North East and the recent job losses in that part of the world obviously serve to increase that concern. I am sure it is not necessary for me to rehearse the arguments in favour of the Preston Farm location which have been put forward many times and most recently in my letter to you dated 24 November 1988.

I hope that George Younger's response to the three points you made in earlier correspondence, querying some of the assumptions in the case for relocation, will be accepted and I strongly endorse his request for your early agreement to an easement of targets to accommodate the increased transitional costs.

The Prime Minister is visiting the North East on 9 and 10 March and clearly the announcement of such a significant relocation of a Government Department would be a powerful expression of the Government's commitment to help the North East in its continuing

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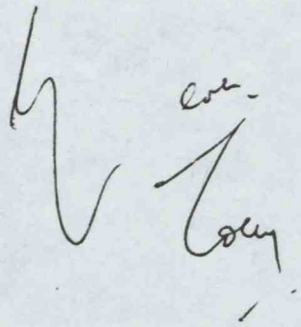
dti

the department for Enterprise

struggle against high unemployment. I do hope you will take whatever steps are necessary to expedite a decision on this case to allow this announcement to be made during the PM's visit so as to attract maximum coverage.

I am copying this letter to recipients of George Younger's letter.



TONY NEWTON

FE3ABE

CIVIL SERVICE: Personal Policy pr 4.



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 5/27L

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

9th February 1989

Await Treasury reply
CBP 10/2.

Dear John,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

- map

Thank you for your letter of 29th November about our proposal to relocate at Preston Farm, Stockton-on-Tees, certain portions of DGDQA now located in the Royal Arsenal, Woolwich, and at Aquila, Bromley. You indicated that you could agree to the proposal subject to three points and it is these points which I now address.

SIZE OF DGDQA

Your first point was that our officials should establish whether there is a continuing need for a DGDQA organisation of about the present size. I understand that both sides met on 8th December and agreed that, while there was the possibility of some changes at the margin, these would not invalidate the proposal as a whole. Indeed relocation would present an opportunity to review in detail the way the DGDQA laboratories operate and thus to increase efficiency.

The Rt Hon John Major MP

TDC

The second point was you were concern that there may have been a misunderstanding about the role and offer of the Teesside Development Corporation. We have now gone over the ground again with the TDC. They have shown DGDQA's outline requirements to two major contractors and obtained proposals suggesting that on the basis of a full design and build package the whole development could be arranged for a sum £5M less than the original estimate, including provision for contingencies and fees. TDC's view is therefore that a contract can be entered into which will ensure that any overrun on these costs will be the responsibility of the contractor and that no formal guarantee on contingencies and fees is necessary. PSA however do not agree. They say that an estimate based on an outline requirement is not likely to represent the full cost since in the transition from outline requirements to detailed design and specification, increased understanding of the full implications of the requirements inevitably leads to an increase in estimate. Although I would hope, through stringent management of the development of the project, to keep the overall cost much nearer to the TDC estimate, we have reflected the PSA's views on the appropriate allowance for contingencies in our estimate of the cash required. It was already reflected in the Investment Appraisal. The overall effect of this on the economic case for the proposal is neutral - but it does have the effect of increasing the cashflow problem presented by the conventional funding approach.

VALUE FOR MONEY

We have taken this opportunity to update the investment and financial appraisals to reflect both the present position of the TDC on guarantees and such factors as a more up to date estimate

of the value of the land vacated the timing of its sale and the recent pay settlement for scientists and engineers. Details have been passed to your officials. The relative cost-effectiveness of the options is shown in the table below:

NPVs £M

Option	25 years	60 years
Three Site	212	292
Royal Arsenal West, Woolwich	188	262
Preston Farm (Conventional)	178	223
Preston Farm (Lease)	202	248

and remains essentially unchanged.

I therefore remain of the opinion that the relocation to Preston Farm should go ahead. Labour costs in the London area will, I believe, continue to increase relative to the rest of the country. Despite this, DGDQA are unlikely to be able to recruit sufficiently well to enable them to continue to carry out their tasks properly. The regional case is extremely strong and DGDQA with its spread of technologies is a very attractive organisation to transplant. Richard Holt and other local MPs have recently indicated to the Prime Minister that relocation of DGDQA would be a major coup for Teesside and that such a step is needed to demonstrate Government concern with the area's problems. The Investment Appraisal makes it clear that the economic case is a

reasonable one - although from the Defence viewpoint this effect may be reduced by the accident that a part of the receipts from the sale of land at Woolwich will accrue to the Crown Estate Commissioners and not to the MOD. I cannot, however, get away from the fact that the proposal will generate extra expenditure in the very early years of the LTC and I can see no way of accommodating this within the defence capability and programme which we agreed should form the basis of last year's PES settlement.

It was this problem that drove me, albeit reluctantly, towards the lease option. It seemed to me that although the effect of the lease was to reduce the cost-effectiveness of the proposal, this was a price worth paying for the alleviation of the cashflow problem. I still hold that view - this is, after all, an approach that is often adopted by industry in similar circumstances. If, however, you still consider that we should not follow this route I propose that, provided relief can be provided in the critical years of the LTC, we should go ahead on the basis of conventional funding. On the basis of the present figures we would require an extra £8.6M in 1989/90, £20M in 1990/91, £1.4M in 1991/2 and £34.2M in 1992/3, although the precise phasing is, of course, likely to change as the project proceeds. If I could obtain relief as indicated in those years I should be ready to accept that in the following years the money should be repaid out of the savings. On present estimates of phasing, savings begin with £23.4M in 1993/4 and the easement I am asking for would be cancelled within the following 7 or 8 years. This would be consistent with Treasury Guidelines on the relocation of Government Establishments in respect of an easement to targets where transitional costs are difficult to accommodate.

I should be glad of your very early agreement. Good man management indicates that we should not keep staff in suspense.

Richard Holt has recently stressed the need for early decisions in Cleveland.

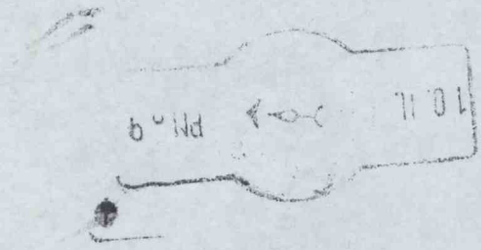
I am copying this letter to the Prime Minister, the Secretaries of State for Trade and Industry, the Environment and Employment, the Chancellor of the Duchy of Lancaster, the Paymaster General and the Secretary of the Cabinet.

Yours ever,

George

George Younger

civil service: Original pr 4



CONFIDENTIAL

fie QTS
bc: BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 February 1989

Dear Malcolm,

LOCATION OF GOVERNMENT WORK

The Prime Minister was grateful for the Paymaster General's minute of 1 February. She has noted the outcome of the discussions during the 1988 Public Expenditure Survey. She is content for the outcome to be reported to Parliament along the lines of the draft Written Answer, but has commented that the penultimate sentence on the first page of the draft seems unnecessarily negative. One possibility would be to delete the words "and even fewer staff".

I am copying this letter to the Private Secretaries to members of the Cabinet, the Minister for the Arts, the Attorney General, the Minister for Overseas Development and Sir Robin Butler.

Yours,
Paul

PAUL GRAY

Malcolm Buckler, Esq.
Paymaster General's Office

CONFIDENTIAL

QTS.

pmg.vd

CONFIDENTIAL

FROM: PAYMASTER GENERAL
DATE: 1 February 1989

PRIME MINISTER

LOCATION OF GOVERNMENT WORK

Following my minute of 15 March last, you and colleagues agreed that I should announce the new relocation policy as successor to our 1979 dispersal programme, which is now virtually complete. The guidelines link the new policy to the Public Expenditure Survey. I now report the outcome of its first Survey round and seek agreement to my giving a brief report to Parliament to coincide with the Public Expenditure Debate in the week of 6 February.

2. The new policy attracts keen support in the regions, although it deliberately avoids setting central targets for the number of posts relocated or suggesting specific relocation areas. Instead it encourages departments to exploit the financial and managerial benefits which relocation can bring, as reflected in the rising tide of individual departmental decisions in favour of relocation. It places responsibility for relocation decisions firmly with individual Ministers, giving due weight to our wider policies for the regeneration of the regions and urban priority areas. Departments are called upon to institute a systematic review programme to cover the location of all their work, and to report their plans and progress to the Treasury each year as part of the Public Expenditure Survey process.

3. From the returns submitted in the 1988 Survey, it is clear that most major departments already have serious and substantial review programmes underway. They will be making further progress reports during the 1989 Survey, and others will be launching their review programmes shortly. I expect to be able to make fuller reports in future, but believe we can view the progress so far as satisfactory.

4. Last Survey departments reported over 34,000 posts under review for creation or relocation away from London and the South East

- although some of these will have been found unsuitable since then and others added to the scope of the reviews. This figure represents some 15.5 per cent of all Civil Service posts in the South East region. I attach a table listing by department the number of posts covered by these reviews. It is too early to say what proportion of these posts will prove to be suitable for relocation to other regions or how quickly plans can be worked up and implemented but, given the very real pressures from recruitment difficulties and accommodation costs in the London area, I would be surprised if we did not achieve a greater scale of movement out of London and the South East than the 12,000 posts created or relocated outside the region from 1979-87. And I am encouraged that colleagues have already announced since 1987 firm plans to relocate some 3,000 posts from the South East region, including over 1,000 social security posts recently announced by John Moore.

5. The relocation guidelines define three stages of the review process. At Stage 1 departments identify the main blocks of work which, prima facie, are the most suitable candidates for relocation; at Stage 2 they consult regional policy departments and the PSA, investigate promising localities, costs and benefits and arrive at decisions in principle; and at Stage 3 they draw up detailed plans for actual moves. Of the 34,000 posts reported under review, some 14,200 are still at Stage 1, 17,300 at Stage 2, and 2,600 at Stage 3.

6. The guidelines also declared the Treasury's willingness to consider, in the Survey negotiations, bids from departments requiring assistance with the transitional costs involved in sound relocation proposals; as a result some £35 million extra running costs provision was approved in the Survey.

7. I would propose to give a brief report to Parliament along the lines of the attached draft Written Answer on the day of the Public Expenditure Debate. Treasury Ministers could then draw upon my Answer as appropriate in that Debate. I should be grateful for your agreement.

8. I am sending copies of this submission and its attachments to the members of Cabinet, Richard Luce, Patrick Mayhew, Chris Patten and Sir Robin Butler.

P.B.

PETER BROOKE

pmg.vd

CONFIDENTIAL

PAYMASTER GENERAL

DEPARTMENTAL RELOCATION REVIEWS: 1988 SURVEY RETURNS (RELOCATION OF POSTS FROM LONDON AND THE SOUTH EAST)

DEPARTMENT	POSTS UNDER REVIEW
Ministry of Defence	6,100
Customs and Excise	5,300*
Inland Revenue	3,800*
Home Office	3,400
MAFF	2,500*
Land Registry	2,200
DSS	1,700
DTI	1,400
OPCS	1,400*
Employment Group	1,300
DES	1,230*
Department of Transport	1,100
DOE	650
DH	600
Other departments	**1,610**
TOTAL	**34,290**

*** indicates review process entirely or predominantly at Stage 1.**

pmg.vd

CONFIDENTIAL

QUESTION: To ask Mr Chancellor of the Exchequer, what progress departments have made under the Government's relocation policy.

ANSWER

I informed the House on 31 March 1988 (columns 610-611) that following the virtual completion of the Civil Service dispersal programme announced in 1979 the Government would set no further central targets for relocation but departments would 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. I placed a copy of the guidelines for these reviews in the Library of the House.

In an adjournment debate on 9 May 1988 I explained (column 128) that these guidelines link departmental reviews of location to the scrutiny of running costs in the annual Public Expenditure Survey so that departments can report each year to the Treasury on their review plans and progress.

Departmental reports to the Treasury during the 1988 Expenditure Survey confirm that most large departments now have serious and substantial reviews in hand and that the remainder are making the necessary preparations. Over 34,000 Civil Service posts are being reviewed for location or relocation away from London and the South East, representing more than 15 per cent of all posts in that region. Many of these reviews are still at the earliest stage and no overall estimates of the future scale of movement can be given. Successful relocations need careful planning and preparation, and I should emphasise that not all the posts now under review [and even fewer staff will move.] Departmental Ministers will announce their decisions once the essential processes of assessment, consultation and decision for each review have been completed.

unnecessarily negative,
the Service message!

RCC.

Ministers are firm in their intention to ensure that the locations of their departments' activities are thoroughly reviewed and appreciate the potential advantages to departmental management as well as the benefits for regional and urban policy of relocating work outside London and the South East in all suitable cases. No further central targets for relocation or dispersal are being set, but the Government is confident that the present review process will in the coming years add very significantly to the 12,000 posts located or relocated outside London and the South East between 1979 and 1987. Since 1987 departmental Ministers have announced new relocation decisions totalling some 3,000 posts, including over 1,000 DSS posts to Glasgow, Belfast and Wigan, and 850 Patent Office posts to Newport. Further announcements can be expected in due course as individual reviews are completed and departmental Ministers take their decisions.

Civil Service PT4

Dispersal Policy HSE to Battle.

FG
MJ2000
CST
cc MOD
MCB

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

27 January 1989

Dear Richard,

Thank you for your letter of 12 January in which you set out more fully than was possible at our meeting on 10 January the situation which has developed with respect to the financing of the proposed relocation of the Directorate General of Defence Quality Assurance.

I have put in hand some further enquiries and will write to you again as soon as I have the result. I recognise the need for an early decision.

Yours ever

Margaret

Richard Holt, Esq., M.P.

8 25/1.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

D/S of S/PS 10E

25 January 1989

Dear Charles,

As requested in your letter dated 16th January, I attach a draft reply to Richard Holt MP on the relocation of DGDQA.

Yours ever

Sue Ambler-Edwards

(S J AMBLER-EDWARDS)(MISS)
Private Secretary

Charles Powell Esq
No 10 Downing Street

Richard Holt Esq MP
House of Commons
London SW1A OAA

Thank you for your letter of 12th January in which you set out more fully than was possible at our meeting on 10th January the situation which has developed with respect to the financing of the proposed relocation of the Directorate General of Defence Quality Assurance.

~~I promised that on receipt of your letter I would make further enquiries. I have already put these in hand and can assure you that I am fully seized of the need for an early decision. Once the result of the further enquiries is known, I~~ some further enquiries will write to you again as soon as I have the result. I recognise the need for an early decision.

Yours

DDO

Richard HOLT MP

30/1

file KPO
CO3BFO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 January 1989

RELOCATION OF DGDQA

You will recall that Mr. Richard Holt, M.P., and others called on the Prime Minister recently to discuss the question of relocation of DGDQA from Woolwich and Bromley to Teesside. The Prime Minister asked them to write to set out their points more fully. I should be grateful if you could let me have a draft reply.

I am copying this letter and enclosure to Carys Evans (Chief Secretary's Office).

CHARLES POWELL

Brian Hawtin, Esq.,
Ministry of Defence.

KK

RICHARD HOLT, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon Margaret Thatcher MP
Prime Minister
Prime Minister's Office
10 Downing Street
London SW1A 2AA

12 January 1989

Dear Prime Minister,

Further to our meeting on Tuesday last Michael, Tim and I thank you for listening to our case for the relocation of DGDQA from Woolwich and Bromley to Teesside.

The MOD proposal to relocate DGDQA to Teesside is attractive to them, but it is also expensive if the MOD has to pay for the cost of constructing the new accommodation required.

The Teesside Development Corporation has put forward interesting proposals on leasing/mortgage arrangements. There are, however, difficulties from the point of view of Government Accounting rules, because leasing is held to be more expensive than using the Government's own funds.

However, a leasing or part-leasing arrangement would avoid a funding problem - which is why a commercial concern would adopt such an approach.

The proposal of the Secretary of State for Defence is to move the HQ and Training Centre of the Directorate General of Defence Quality Assurance (DGDQA) and its main laboratories from the Royal Arsenal, Woolwich and Aquila, Bromley to Stockton-on-Tees. The complex would consist of about 1,500 persons of whom over 700 would be high grade scientists and engineers and 250 would be apprentices.

The role of DGDQA is to make sure that the specified quality of defence equipment reaches the Services, and its total size is about 3,100. The proposal is to relocate all those DGDQA staff currently based on the 2 Royal Arsenal sites and at Aquila, Bromley.

/contd....

The Rt Hon Margaret Thatcher MP
Prime Minister

contd.

Ministers are well disposed to the proposal as the present arrangements are inefficient and the Woolwich sites are significantly underutilised. Relocation in Cleveland would overcome the present severe problems of staff recruitment and retention. Releasing the Woolwich West site would also make the historic buildings there available for alternative use.

For such a proposal the Ministry of Defence would require new accommodation, the estimated net costs to the Ministry of Defence budget would be around £70M after allowing for receipts from sale of land. Savings in running costs would justify the expenditure over a period of time. This does, however, create problems because of the Government Accounting rules.

In commercial circles the problem might be solved by borrowing but normal government financing does not provide for such action unless it can be shown to provide savings compared with conventional financing or can bring benefits such as incentives which outweigh the disadvantages. Notwithstanding these problems, following the suggestion of the Teesside Development Corporation, a leasing or mortgage proposal is under discussion.

We would wish to confirm that there is a general feeling of lack of commitment by the Government to the region and whilst we refute this on all occasions, a decision to relocate DGDQA would silence the critics. This would be most useful ahead of the Cleveland County Council elections where we are looking to take control, particularly following the poor showing of the County Council over the Cleveland Child Sex Abuse fiasco and the high rates being charged.

With best wishes,

Yours Ever

RICHARD HOLT

RESTRICTED

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 January 1989

Dear Brian,

RELOCATION OF DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

The Prime Minister saw Mr. Richard Holt MP, Mr. Michael Fallon MP and Mr. Tim Devlin MP briefly this afternoon to discuss the proposal for the relocation of the Headquarters, Training Centre and main laboratories of the Directorate General of Defence Quality Assurance from Woolwich and Bromley to Stockton-on-Tees. All three were strongly in favour of the move which they thought would be a major coup for Teesside. They understood the Ministry of Defence also wanted to see the move made but there were problems over whether the site should be purchased or leased. The total cost was likely to be of the order of £95 million. The MOD favoured a leasing arrangement to spread the cost, but the Treasury were apparently insisting on outright purchase. The Ministry of Defence felt that they could not accommodate this within their programme.

The Prime Minister commented that the sum involved was a very large one and she could understand that the MOD might have higher priorities for that amount of money. She would be grateful if the Members could write to her setting out the situation more fully. She would then make further enquiries.

I am copying this letter to Carys Evans (Chief Secretary's Office).

Yours sincerely,

C. D. POWELL

Brian Hawtin, Esq.,
Ministry of Defence

RESTRICTED

10 DOWNING STREET

Prime Minister

The Treasury's concern is not primarily about relocation, which looks a reasonable proposition, but about paying for it through leasing which looks bad value for money compared with outright purchase.

AT 9/1

PRIME MINISTER

1. Tomorrow, after Questions, you are seeing Richard Holt, Michael Fallon and Tim Devlin. They are our three Teeside MPs and wish to discuss the proposal for the relocation of a Ministry of Defence Army Unit concerned with ammunition experimentation from Woolwich to Stockton.

2. Attached is a briefing note from Tim Sainsbury's office. You will see from this note that the matter is under active consideration. However, I believe the Treasury is concerned about the financial implications. It is some time since the proposal was originally considered and our colleagues are naturally concerned about the delay.

3. You may like to say that you will seek to ensure that a decision is swiftly made.

MARK LENNOX-BOYD
9 January 1988

Att:

BRIEFING - RELOCATION OF CERTAIN DGDQA UNITS TO STOCKTON-ON-TEES

The proposal of the Secretary of State for Defence is to move the HQ and Training Centre of the Directorate General of Defence Quality Assurance (DGDQA) and its main laboratories from the Royal Arsenal, Woolwich and Aquila, Bromley to Stockton-on-Tees. The complex would consist of about 1,500 persons of whom over 700 would be high grade scientists and engineers and 250 would be apprentices.

The role of DGDQA is to make sure that the specified quality of defence equipment reaches the Services, and its total size is about 3,100. The proposal is to relocate all those DGDQA staff currently based on the 2 Royal Arsenal sites and at Aquila, Bromley.

Ministers are well disposed to the proposal as the present arrangements are inefficient and the Woolwich sites are significantly underutilised. Relocation in Cleveland would overcome the present severe problems of staff recruitment and retention. Releasing the Woolwich West site would also make the historic buildings there available for alternative use.

If the Ministry of Defence requires new accommodation, net costs to the Ministry of Defence budget will be around £70M after allowing for receipts from sale of land. Savings in running costs would justify the expenditure over a period of time. This does, however, create problems. Going ahead with it within the current total of the Defence Budget would lead to the exclusion of other more directly defence orientated items.

In commercial circles the problem might be solved by borrowing but normal government financing does not provide for such action unless it can be shown to provide savings compared with conventional financing or can bring benefits such as incentives which outweigh the disadvantages. Notwithstanding these problems, following the suggestion of the Teesside Development Corporation, a leasing or mortgage proposal is under discussion

PA CF

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

30 November 1988

Dear Peter,

Many thanks for your letter of 21 November about the Property Services Agency's plans. I have had enquiries made about the article which I suspect prompted you to write. I am assured that the net increase in the PSA estate will all occur outside London and that within London there is expected to be a net decrease of about 120,000 square feet.

That said I do strongly endorse your comment that our aim should be to continue to devolve Civil Servants' jobs out of London and we need to keep up the pressure on Departments to that end.

Yours ever

Margaret

The Rt. Hon. Peter Walker, M.B.E., M.P.

cst.ps/10jm28.11

MANAGEMENT IN CONFIDENCE

CCPU.

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

29th November 1988

Dear George,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QULAITY ASSURANCE

Thank you for your letter of ~~31~~ 1st October. I have also seen Tony Newton's letter of ~~24~~ November and Norman Fowler's letter of ~~26~~ October supporting the proposed move to Teesside. I quite agree with the political attractiveness of this move.

Assuming that the cost is absorbed (a point to which I return below) I should be happy with the proposed relocation provided that it satisfies the basic test of cost-effectiveness which underli es our present approach to this subject. However, it involves very large sums of money and a very long pay-back period; and there are some aspects of the case on which I need further clarification before I could agree to what is proposed.

First, we need to be fully satisfied that MOD will continue to need a DGDQA organisation on its present scale. As I understand it, MOD policy is to place responsibility for quality on to suppliers by putting clear quality requirements into contracts both for new equipment and for spares and by ensuring that we get appropriate and enforceable warranties from suppliers. I would find it helpful if our officials could discuss in detail this strategy and how it impacts on the traditional work of DGDQA so that I can be satisfied about the medium to long term future of the Directorate.

CIVIL SERVICE: Dispersal PT4.

MANAGEMENT IN CONFIDENCE

Secondly, I have to say that I do not find either of your proposed methods of funding very attractive. As regards additional public expenditure provision we have just concluded a firm 3 year PES settlement and additional funds for this move would be wholly inconsistent with our agreement. So far as the Teesside relocation might have implications in the short-term and subsequently for running costs I should, of course, be happy to discuss in the next Survey how they should be brought within the three-year running costs settlement for which we shall both be aiming. Your running costs management plan would provide a suitable context for exploring the issue. At that time we could put this matter in the context of the more comprehensive relocation proposals on which your officials are working.

As an alternative to additional provision you proposed a leasing arrangement which would reduce the cash requirement in the early years. As you know, our general approach is to use conventional finance unless the alternative offers better value for money in relation to the risks involved. In this case it is clearly more expensive and offers no compensation such as the transfer of important risks to the private sector. I do not see how, on value for money grounds, it is possible to justify pursuing this option and I hope therefore that, on reflection, you can agree not to do so. The additional initial cost involved in freehold acquisition is small in relation to the defence budget and the longer term benefits will accrue to your budget.

On the terms of the Teesside Development Corporation's offer, I note that you say they will do the job for £95 million; and that the investment appraisal states that TDC would bear the additional cost of their portion of public funds if the estimates were in the event exceeded. Although I gather than TDC are confident about the estimate of £95 million for the buildings despite the fact these have not yet been designed, my officials have been advised by Nick Ridley's that TDC will not be liable if the project management and construction costs exceed present cost estimates. In the light of this, you may wish to reassess your view of the attractiveness of the TDC proposal.

In summary, therefore, I could agree to your moving part of the MOD organisation to Teesside subject to the following three points. First, our officials should establish whether there is a continuing need for a DGDQA organisation of the present size. Second I am concerned that there may have been some misunderstanding about TDC'S role and offer and, you may wish to reassess your conclusions on the best way forward. Finally, I should emphasise that I could not support any solution that did not offer value for money, nor do I see any basis or need for reopening our recent PES settlement.

I am copying this letter to the Prime Minister, David Young, Nicholas Ridley, Norman Fowler, Tony Newton, Peter Brooke and Robin Butler.

Yours Ever, John

JOHN MAJOR



PRIME MINISTER

Mr. Walker's attached letter was almost certainly prompted by the article in the Financial Times on 4 November (flag A). I have asked DOE about this article. They assert that journalists had got the facts wrong in an oral briefing accompanying the PSA's 1987-88 Annual Report. The FT were apparently told that the size of the PSA estate in Britain as a whole was expected to increase by 530,000 square feet. All of this net increase will occur outside London, notably in Scotland, the North-West and the North-East. Within London there is expected to be a net decrease of about 120,000 square feet overall.

In the circumstances you may prefer simply to let Mr. Walker's letter lie. But should you wish to respond to it I attach a draft.

DOMINIC MORRIS
28 November 1988

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CCPC

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the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
HM Treasury
Treasury Chambers
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Department of Trade and Industry

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Telex 8811074/5 DTHQ G
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Direct line 215 5147
Our ref
Your ref
Date 24 November 1988

Dear John

RELOCATION OF CERTAIN PORTIONS OF THE MINISTRY OF DEFENCE DIRECTORATE GENERAL OF QUALITY ASSURANCE (DG/DQA)

I have seen George Younger's letter to you of 31 October 1988.

My Department has long been interested in the possibility of a relocation of DG/DQA from Woolwich and surrounding areas. I was very pleased to learn that Preston Farm, Stockton on Tees, Cleveland has been chosen as a possible greenfield relocation option. Even more heartening is the fact that this is considered the most cost effective long term solution. I understand that the Department of the Environment has no objections to the proposed participation of the Teesside Development Corporation.

This is an enormously attractive project in regional terms, not least for the economic benefits which will derive from the 1,500 high quality jobs involved. Unemployment in Cleveland is more than twice the national average. The project would be a massive morale boost for the area, a success for the Teesside Development Corporation and as you know, the Prime Minister has taken a close personal interest in Teesside since her visit there in September last year.

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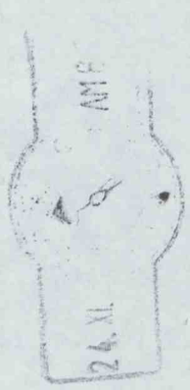
the department for Enterprise

I would therefore like to offer my strong support to George Younger's request that the easement provided for in your guidelines on relocation, or the alternative leasehold arrangement, should be available to accommodate this highly attractive and economically advantageous move. We are all concerned with public expenditure considerations but this exceptional project should not, I believe, be frustrated because of short-term financial constraints. I hope you will do everything possible to help reach a satisfactory solution.

I am copying this letter to the recipients of George Younger's letter.

TONY NEWTON

EM3AAG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01-270 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
From The Secretary of State for Wales

THE RT HON PETER WALKER MBE MP

21 November 1988

I was very shocked the other day to read the announcement that the Property Services Agency is seeking to obtain more than 500,000 square feet of extra office accommodation largely in the central London area. This does seem incredible when rents in central London are 700% more than in other suitable locations.

You will know that I run the Welsh Office with all of my 2,000 plus civil servants in Wales (apart from my Private Office). I have many meetings with them, mostly on the video link, and it really does show that you can run an office involving education, health, industrial policy and a whole range of subjects without any necessity for the civil servants to be in the same building as the Ministers. On this experience it does seem remarkable that we should be taking up so much space in the centre of London, and even more so that we are now looking for another 500,000 square feet.

Not only are the property overheads very much greater than elsewhere but also the staff costs, cleaning and maintenance costs and everything else that is involved. Surely the PSA can be told to reduce the space they have in central London by 500,000 square feet rather than the other way round.

With best wishes

The Rt Hon Mrs Margaret Thatcher MP
The Prime Minister
10 Downing Street
LONDON
SW1



(A)

FINANCIAL TIMES: FRIDAY, 4 NOVEMBER 1988

Government seeks more London office space

By Paul Cheeseright, Property Correspondent

THE PROPERTY Services Agency, which manages the Government's estate, yesterday said that this financial year it would be seeking to obtain more than 500,000 sq ft of extra office accommodation, largely in the central London area.

The favoured districts for government offices have traditionally been Westminster and Victoria because they are near the House of Commons. The PSA's need for space is likely to put fresh pressure on an already tight market.

During the 1987-88 financial year, the PSA said in its annual report, the Government's office estate had expanded by just under 280,000 sq ft to cater for the increasing number of civil servants. Demands for space this year are for the same reason.

The demand for extra space comes on top of increased activity by the PSA in London because a large number of leases, signed in the 1960s, are expiring at the same time.

The PSA has been prepared to pay record rents in Victoria, and the Government, in its financial provisions for the PSA, has been forced to recognise that its own accommodation will cost more.

FINANCIAL TIMES: FRIDAY, 4 NOVEMBER 1988

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By Paul Cheeseright, Property Correspondent

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The demand for extra space comes on top of increased activity by the PSA in London because a large number of leases, signed in the 1960s, are expiring at the same time.

The PSA has been prepared to pay record rents in Victoria, and the Government, in its financial provisions for the PSA, has been forced to recognise that its own accommodation will cost more.

H CON 30 MANAGEMENT IN CONFIDENCE

cc P/U

NOPM

Caxton House Tothill Street London SW1H 9NF
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GTN Code 273 Facsimile 01-273 5124

The Rt Hon George Younger TD DL MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2AS

18 November 1988

Dear Secretary of State,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

I welcome your letter of ~~31~~ Aug October to John Major.

I believe that this relocation will benefit the North East in two ways. First, it will bring new employment to an area where unemployment is well above the national average; in spite of improvements over the last two years, the unemployment rate is still 16.9% in Middlesbrough and 14.3% in Stockton-on-Tees. Second, it will particularly enrich the local economy to relocate a unit which will both employ highly qualified staff itself and attract other high-tech firms.

I note that you have identified alternative financial options: either a short-term easement can be granted as permitted in the Treasury guidelines, or the funding problem can be avoided altogether through leasing as proposed by the Development Corporation. Now that relocation to Teesside has been shown after exhaustive enquiry since 1986 to be both feasible and highly beneficial, it would be extremely disappointing if the Government could not find a way of financing the project.

I am copying this letter to the recipients of yours.

Yours faithfully,

Clive Norris

[approved by the Secretary of State and signed in his absence]

NORMAN FOWLER

MANAGEMENT IN CONFIDENCE

CIVIL SERVICE : Dispersal A4



MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 5/27L

31st October 1988

Dear John,

RELOCATION OF CERTAIN PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

We are all subject to continuous well merited pressure to move work out of Southern England. For the Ministry of Defence the difficulty has been to find units that it is sensible to move, given the capital investment in current locations. Two years ago, however, we identified a unit, the Directorate General of Defence Quality Assurance (DGDQA), which for historical reasons is wastefully located on 3 separate sites in the Royal Arsenal, Woolwich, and Aquila, Bromley, and which appears to be a suitable case for a major transfer.

Considerable study has gone into this proposition and a full Investment Appraisal has been produced (copy attached). This indicates that a move to Teeside would be the most cost-effective. 1500 jobs are involved which include 300 industrial posts and an annual intake of 60-70 apprentices. Furthermore, although there would be difficulties in moving the existing scientific and professional staff, the longer term prospects of the better recruiting, retention and quality of staff to be obtained there suggests this could be a beneficial move for the MOD as a whole. There are other potential benefits which I am sure I do not need to emphasise, and especially the effect on the economy of Teeside (which

The Rt Hon John Major MP

could be of particular importance now, given possible developments in Sunderland) or the value of the release, for more productive use, of Government owned land in South East London.

We envisage that Teeside Development Corporation would act as project managers for the move, although we would undoubtedly need PSA assistance to vet their proposals. The Corporation say they will do the job for £95M. We have added to this allowances for contingencies and a PSA consultancy fee. The costs for removal, transfers, some redundancy etc are put at £18.65M. This suggests a total capital cost for the project of about £120M. Against that the sale of the existing sites is estimated to bring in at least £33.5M (with a reasonable prospect for more) and the annual running costs are expected to be reduced by £7M when the new establishment is fully operational.

Based on these figures, the pay back period for this project is of the order of 14 years and the investment appraisal suggests that the Teeside option is the cheapest beyond the 25 year point. The problem is that the proposal requires considerable money 'up-front' and would add about £31M to our costs over the LTC period. To make matters worse the timing of the capital expenditure is awkward, demanding additions of £19M in 1989/90, £39M in 1990/91 and £23M in 1991/92. Attractive as the proposal is I therefore can only go ahead with it at the cost of removing items from the defence programme proper and it will be clear to you from our PES discussions that I am in no position to do this. I know that the Treasury guidelines regarding the relocation of Government establishments provide for easement to targets in cases such as this where transitional costs are difficult to accommodate. I could only contemplate costs of the order indicated above if they were fully offset as the guidelines suggest they might be. I can well understand that there may be problems in the way of offset; there is however a possible alternative which we might propose considering further.

During the initial discussions the Teeside Development Corporation came up with some interesting proposals involving our leasing the new premises rather than buying them. The appraisals for this scheme are at Annex H to the investment appraisal. This approach has been discussed with your officials but they have argued that it should not be pursued because it adds to the total cost of the project and presents difficulties from the point of view of the rules for Government Accounting. Despite these difficulties it would avoid our funding problem - which is, after all, very much the sort of reason which would lead a commercial concern to adopt such an approach. I would therefore like to ask you both to agree to this relocation proposal and to reconsider whether a leasing arrangement might not be an acceptable alternative to additional funding from outside the Defence Budget in the particular circumstances of this proposal including the regional considerations. Norman Fowler's letter of 10th October underlines the importance of our being able to find some way round this problem.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Trade and Industry, the Environment and Employment, the Chancellor of the Duchy of Lancaster, and the Paymaster General and to the Secretary of the Cabinet.

Yours ever,

George.

George Younger

D/DQA/(ADM)1/2

Directorate General of Defence Quality Assurance

INVESTMENT APPRAISAL

COLLOCATION/RELOCATION OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

(August 1988)

INVESTMENT APPRAISAL - COLLOCATION/RELOCATION OF PORTIONS OF THE DIRECTORATE GENERAL OF DEFENCE QUALITY ASSURANCE

INTRODUCTION

1. The role of the Directorate General of Defence Quality Assurance (DGDQA) is to formulate MOD Quality Assurance Policy and provide specialist advice and certain field force and laboratory services to the Systems Controllerates and the Service Departments. The Director General is supported by 5 Directors. The Director for Project Support is the functional manager of staff in the Systems Controllerates whose special duty is to advise project managers on quality matters in general and on the specification of quality and quality assurance requirements in particular. The Director for Industry heads a staff dealing with contractor assessment and the surveillance of contractors at the interface with industry. The role of the Director for Technical Support is to provide specialist and laboratory support for the drawing up of contract specifications, for the evaluation of equipment supplied by contractors and for defect investigations. The Directorate also assists generally with procurement and in-service problems and makes a major contribution to the technical infrastructure needed to support procurement and Service activities. The Director for Standardisation and QA Policy has the task of providing standards for use in defence procurement and pressing for their extended use; and of pulling together strands of QA Policy where the policy is outside the jurisdiction of a single Director. The Director for Administration provides secretariat, personnel, finance, procurement and site management services to the Directorate General as a whole.

APPRAISAL OBJECTIVE

2. The objective of this Investment Appraisal is to determine the most cost effective long term location for the portions of DGDQA at the Royal Arsenal, Woolwich, and Aquila, Bromley, namely, the Headquarters, Training Centre and apprentices together with the majority of the Technical Support (TS) laboratories.

SELECTION OF OPTIONS

3. The Feasibility Study into the Collocation of DGDQA Units Currently Located at Royal Arsenal West, Royal Arsenal East and Aquila at an Alternative Site (April 1987), came to the conclusion that there were three options worth further study for comparison with the basic option of continuing at the existing three sites:

a. Collocation at Royal Arsenal West (RAW), Woolwich;
b. Relocation at former Central Ordnance Depot, Chilwell, Nottinghamshire; and
c. Relocation at Preston Farm, Stockton-on-Tees, Cleveland.

4. In July 1987 pressure emerged from the Local Authority and the local MP to get ahead with the long delayed disposal of the MOD land at Chilwell; and Ministers considered whether the possibility that it might be used for DGDQA at some time in the future was an important enough factor to delay a disposal

and prolong the uncertainty. This consideration took place at a time when a further option for the DGDQA laboratories, namely, that the facilities and work in those laboratories should be distributed piecemeal to R&D establishments was under study. The Chilwell option, although the cheapest, was only about £10M cheaper than the Preston Farm option - on the basis of figures that were (and are) subject to a high degree of uncertainty. At this juncture the general opinion was that any major relocation could, in view of the pressure on the Defence Budget, only go ahead if it were subsidised from outside the Department. Only Preston Farm offered any possibility of that kind and would be cheaper than Chilwell in Defence Budget terms were a subsidy or subvention to be arranged. Hence it was decided that the disposal of the land at Chilwell should proceed. The process of disposal is now irreversible.

5. The preliminary feasibility study into redistributing facilities to R&D establishments was completed in December 1987. This established the feasibility of so proceeding but the in-house estimates included in the study suggested that the transfer of staff and provision of facilities would cost between £78M and £93M, before allowing for proceeds from the sale of TS sites and economies in running costs. Furthermore, while there was a considerable overlap between the technologies used by TS and the R&D establishments the nature of QA work was very different and there would be a loss of the overall QA focus. There would thus be a high probability of the QA function being eroded. This factor weighed very heavily with the Systems Controllerates and was significant in the decision to move instead to an arrangement whereby DGDQA would report to CERN in respect of TS activities. This would keep the QA function integrated but also ensure that duplication of work and facilities would not occur.

6. Meanwhile, the other two options put forward in April 1987, relocation at Preston Farm and collocation at RAW, were being given significant new twists. The Teesside Development Corporation (TDC) inherited the Preston Farm option from the Cleveland County Council and put forward an interesting package deal in which they would act as project managers, doing the actual development at Preston Farm and disposing of the properties at Woolwich and Bromley. In particular, they continued to question the PSA estimates for the development which they thought were too great. They indicated willingness to enter into a fixed price contract at a cost based on a mixture of preliminary estimates provided by the PSA and their own consultants. They would bear the additional cost on their portion of public funds if the estimates were in the event, exceeded for reasons other than a rise in the general level of building costs and a change in requirements. Having been told that the funding in the LTC for DGDQA relocation was limited they also suggested procedure by way of a financial lease as an alternative to the usual orthodox method of financing a project. While the exact details would have to be sorted out DGDQA would enter into an agreement with a finance house and TDC whereby it would make a series of annual payments over 25 years (except for the first year) in return for a loan of a magnitude that would cover the purchase of the property and the development of it in accordance with DGDQA requirements. A contractor would be employed, through TDC as project manager, to develop the site in line with requirements. The financial institution would be able to pass on the benefit of capital allowances in reduced cost to DGDQA. This was a practice much used in the private sector which, in the circumstances, a Government Department might follow.

7. The RAW option was also affected by new developments. It became clear that the Services Forms and Publications organisations would move to Llangennech near Cardiff thus releasing substantial amounts of accommodation

including a 1970's office block. Furthermore US of S(AF) visited RAW with his Historic Military Buildings Committee and asked for a feasibility study to ascertain the possibility of both releasing for sale the two main areas containing the main historic buildings and collocating DGDQA.

8. The options selected for costing in this Investment Appraisal were therefore:

a. continued occupation of the three existing sites;
b. collocation at RAW; and
c. relocation at Preston Farm;

and for both the RAW and Preston Farm options two variants were costed, conventional and unconventional. (No unconventional variant had been suggested for collocation at RAW but, prima facie, what was practicable at Preston Farm was practicable there and it was necessary to ascertain the possibilities for unconventional funding at both sites in order to make a proper comparison between them).The main advantage of a financial lease was that it would spread out the payments for development in the same way that most people purchase their private houses by means of a mortgage. TDC also emphasised that unconventional financing involved a novel concept of a financial institution acting as developer and passing onto DGDQA the benefit of the capital allowances it could claim back from the Inland Revenue. Consideration was given to how capital allowances should figure in MOD accounts and it was decided that they would be a benefit in assessing DGDQA expenditure against the LTC provision but a transfer payment from one part of the public sector to another in the Investment Appraisals.

9. When the unconventional variants had been costed to the point where the financial effects of unconventional and conventional financing could be compared they were discussed informally with GF4 and Treasury officials. They were clear that the leasing variants could not be brought within the rules for Government Accounting. They argued that because leasing has much the same effects in the economy as conventional finance it should be preferred only if it brings with it either direct savings compared with conventional finance, or other benefits, such as increased incentives, which are large enough to justify the extra cost. Leasing failed the first test. (At Annex H is the financial appraisal of a financial lease at Preston Farm together with its corresponding investment appraisal). It appeared that during the LTC period the cost of a financial lease would be about the same as the LTC provision, a situation with obvious attractions for the MOD and the reason for the detailed work on it, but the latter yielded an NPV much higher than that resulting from conventional financing. Similarly, for the second test it was difficult to identify any other benefits that might be prayed in aid of the unconventional approach. Unconventional financing has not therefore been given further consideration in this Investment Appraisal and the three options in para 8 above are now examined against the background of conventional financing only.

DEFINITION OF SELECTED OPTIONS

10. Because of changes in circumstances since April 1987 the selected options need to be re-defined:

a. Remain at three sites. This assumes that DGDQA would remain at RAW, Royal Arsenal East (RAE) and Aquila. The main assumptions are:

(1) all the Tenant Departments listed at Annex A, with the exception of the Assistant Directorate Quality Assurance (Nuclear) and the Special Signals Unit, RAF, would be transferred making substantial further accommodation available for DGDQA. The details of how this would be achieved are also included in Annex A;

(2) a significant part of the land at RAW including the riverside front part of RAW (and the Grand Store) would be alienated for private sector development.

b. Collocation at RAW. This assumes the vacation and sale of RAE and Aquila as well as the land at RAW referred to above. The main points are:

(1) both assumptions mentioned above will also hold for this option except that the Assistant Directorate Quality Assurance (Nuclear) would be relocated;

(2) an outline plan for concentrating DGDQA facilities at RAW by 1994 has been developed which maximises the disposal of MOD land. The plan which is described in some detail at Annex B includes building a new Headquarters adjacent to and incorporating the Royal Laboratory Pavilions in the Dial Square area, continued use of long term building assets, and the demolition of some existing non-historically significant buildings and their replacement with new facilities.

c. Relocation at Preston Farm. This assumes the development of a greenfield site and the release of 46 hectares (115 acres) at Woolwich and Bromley. TDC have made proposals which significantly affect the timescales and costs produced in the April 1987 Study:

(1) they would have the site available for occupation in a phased period from April 1992 to April 1994 on the understanding that they and not PSA are responsible as project managers for construction; and

(2) they would develop the establishment to DGDQA requirements for a cost significantly below the level of the costs submitted by PSA. If the development turned out to be more costly TDC would bear the extra cost provided the extra cost was not due to a change in requirement or to changes in the level of building costs.

IDENTIFICATION, EVALUATION AND TIMING OF THE COSTS AND BENEFITS OF EACH OPTION

11. The costs and receipts for each option are described in the Annexes indicated below. Except for works estimates provided by TDC the works estimates and land values have been provided and agreed with the PSA. They represent first estimates based on outline briefs with no substantial effort put into planning or consultation. DGDQA support costs are based on extant ERB's for 1988/89. The prices on all options are for 2nd Quarter 1988. The question of VAT has also been considered. As a transfer payment it is excluded from the Investment Appraisals. There is some uncertainty surrounding how it should be treated for the Financial Appraisals following the recent European Court of Justice ruling, but since the Economic Secretary to the Treasury has stated that public sector construction programmes will receive compensating adjustments if necessary, VAT is included only where currently paid by PSA.

12. Remain at three sites - Annex C. This option envisages no major capital investment except for that necessary to achieve the disposal of land mentioned at paragraph 10a(2) above (ie mainly the provision of a new site heating system, a new training centre and possibly a new laboratory for testing electro magnetic compatibility) and other essential works services projects already built into the LTC. The planned move of the Services Publications facilities from Woolwich will make accommodation available thus avoiding the need to replace the DGDQA HQ building, which has only a limited life. The general aim, within the limits of existing or future LTC provision emerging from the annual bidding process, would be to concentrate at RAW as and when buildings at RAE or Aquila needed to be replaced. The cost of maintaining the site would increase steadily as buildings aged. There would be a small decrease in support costs due to heating efficiency measures already in train but no specific savings in support staff numbers would be likely. There are no new personnel problems attached to this option.

Collocate at RAW - Annex D

13. This option encompasses a substantial capital spend which would result in the replacement of approximately 70% of the DGDQA ageing building stock at Woolwich and Aquila. It would be necessary for CERN to relocate ADQA(Nuc) from Aquila, probably to AWE in Berkshire. Savings would accrue from reductions in maintenance costs, staff reductions of the order of 150 posts and from reductions in other support costs by the use of energy conscious building designs. It would also be possible to vacate the 16 hectares (40 acres) at Aquila and RAE and still release about 13 hectares (32 acres) at RAW. No significant personnel problems would arise from moving staff from Aquila to RAW.

14. The intangible benefits arising from this option may be summarised as follows:

a. collocation of the separate departments of DGDQA would shorten the lines of communication, an important factor in a large and diverse Directorate General, thereby saving the time and energy of staff at all levels. Management and control would be sharpened. Meetings could be laid on quickly and easily. Informal exchanges of opinion would be more frequent. Overall the benefits are likely to show themselves in the form of increased effectiveness rather than economy - although the costings do assume some economies attributable to these factors; and

b. land not needed for a public purpose would be sold thus making better use of the invested capital within the public sector and making available a scarce resource to the private sector.

These considerations are at the heart of Government policies to reduce public expenditure, to reduce the size of the Civil Service, to dispose of surplus land and to increase managerial effectiveness and efficiency.

Relocate at Preston Farm - Annex E

15. The construction costs used in this option are based upon a combination of estimates produced by the PSA and TDC and also include provision for the relocation of DGDQA tenants on the RAW and Aquila sites (ie the RAF Special Signals Unit, and ADQA(Nuc)). On the advice of PSA a figure has been included to cover the technical consultancy which will be necessary to provide the

advice which would under normal circumstances be provided by PSA. This is regarded as an essential ingredient, even though TDC would be employed as a project manager, because there would still be a need to obtain independent advice on TDC's work. To the capital cost has to be added the cost of the removal of equipment etc from the existing sites, the need to recommission equipment at the new location and the cost of staff transfer and redundancy payments based upon the assumption that 600 mobile staff (mainly engineers and scientists) would transfer to Teesside and some 300 staff (largely industrials) would be made redundant in the Woolwich and Bromley areas.

16. As regards running costs the option envisages a rundown in maintenance costs on the current DGDQA sites leading up to relocation at Teesside. Once at Teesside maintenance costs would be lower - since the buildings would be erected using methods and materials resulting in low maintenance. Energy related savings would accrue prior to the move, as a result of actions already in hand, but further savings in all utilities would be achieved on the purpose built site. More work could be expected from staff in the provinces since they have a longer working day (and would lose the benefit of the Woolwich Beanfeast). Quite apart from this staff reductions amounting to 200 posts would be obtained, the majority of these being in the support area. Furthermore, no London Weighting would be payable after immigrants from Woolwich and Bromley had exhausted their mark-time rights and there would be no question of additional local allowances.

17. The intangible benefits from relocation to the North East go considerably further than those mentioned in para 14. Unused resources of land and manpower in the North East would be taken up and a vigorous push given to the local economy. The Government would be seen to be moving an MOD establishment in support of regional policy. Easier recruiting and improved retention of better quality staff would bring longer term benefits to DGDQA and perhaps to MOD at large. Admittedly, during the transition the move would reduce DGDQA efficiency and in the long term the increased distance from MOD Headquarters and other MOD establishments would tend to make it harder for DGDQA staff to play their full part in MOD, but overall the benefits are likely to outweigh the disadvantages.

DISCOUNTING OF COSTS AND BENEFITS

18. The discounting of costs and benefits is shown at Annex F. The base year for discounting has been taken as 1988/89 since this is the first year in which any of the options incurs expenditure related to the construction. The Government Discounting rate of 5% is used throughout.

19. For ease of calculation and in the absence of more precise estimates, all expenditure is assumed to occur evenly throughout the year and thus a mid year discount point has been utilised throughout the options. Each option has been assessed over a 60 year period to accord with the expected life of new buildings. However, as this is a long period in the context of MOD organisation and deployment the Net Present Value of each option has also been assessed at the 25 year point. The resultant comparisons are shown in detail in Appendices 1-3 to Annex F.

AREAS OF UNCERTAINTY

20. Transfer of Staff. The success of relocation to Preston Farm would depend on whether approximately 600 technical staff could be persuaded to transfer. Of these the more senior and more expert are particularly important. For the

career development of QA staff some mobility including in and out of project management posts in London and posts in the Industry Directorate located across the whole country is essential. TDC have developed proposals in conjunction with a number of financial institutions which would enable staff moving to Teesside and concerned about postings back to the South East to acquire 100% mortgages in order to purchase second homes, thus allowing them to let their houses in the South East. These may be helpful but because they are likely to appeal only to the most senior staff, they are unlikely on their own to solve the problem of mobility. No realistic appraisal of the extent to which staff are likely to move to Teesside has been made - because staff responses are likely to be conditioned by their desire to remain where they are at present. For the purpose of this appraisal it has been assumed that there will be incentives sufficient to ensure a satisfactory level of co-operation, and it is considered that the £15M allowed for this purpose in Annex E will be sufficient provision.

Building costs

21. There is always some doubt at the early stage of a project whether estimated building costs will prove to be on target. The present figures are essentially assessments of the initial order of costs based on an outline specification only. Better figures cannot be produced without more detailed planning.

22. On this basis the cost of building work were DGDQA to remain on three sites would be:

	£M
Adaptation of Building 25A for use as new HQ block, say,	0.500
Site Heating	4.260
Training Centre	3.500
Catering	0.700
EMC Suppression Cage	3.000
Security/Site Fence	2.600
Demolition/Miscellaneous	0.670
PSA Resource Costs	1.770
	17.000

23. Similarly, the estimate for the works necessary to collocate DGDQA at Royal Arsenal West is:

	£M	
Buildings	47.3	
Building Development and Design Contingencies	4.4	
Special Requirements for Security/External Works and M&E Services	7.8	
Contingencies	6.0	
VAT on work to existing buildings only (see para 11)	2.6	
PSA Resource Costs	9.8	
	77.9	
Say	78.0	dualled to £94M
Relocation of ADQA(Nuc)	3.0	
Total (including removal of ADQA(Nuc))	81.0	dualled to £97M

(Note: a dualled estimate is given by PSA where, as in this case, the cost of alteration to listed and other buildings is more difficult to assess than usual. The initial figure is that used in the LTC. The second figure illustrates the degree of risk to be attached to the initial figure).

The level of costs is about 20% higher than that prevailing when the April 1987 study was produced. Rather more than half of this increase is attributable to a general rise in building prices. The rest is due to the exceptional pressures in the South East resulting from the building of the Channel Tunnel.

24. PSA also produced estimates (at 4th Quarter 1986 prices) for relocation at Teesside in accordance with DGDQA brief. These are shown adjusted for inflation in the first column of figures below:

	£M	£M	
Buildings	59.0	59.0	
Site Development	12.5	6.0	
Special Requirements	6.4	6.4	
Contingencies	8.3	1.5	
Fees	15.8	4.6	
	102.0	77.5	
Add 9% to convert to 2nd Quarter 1988 prices, say	9.5	7.0	
TOTAL	111.5	84.5	
Removal of ADQA(Nuc) and SSU, RAF	8.7	8.7	
Total (including removal of tenants)	120.2	93.2	rounded to 95.0

(Note: the rounding to £95M was made by TDC as a partial insurance against bad estimating in the other figures).

Alongside the PSA figures are the figures at which TDC suggest that they are prepared to negotiate a fixed (as opposed to firm) price contract with a contractor, provided that agreement is reached by 1st October 1988. If the date of agreement was deferred the figure would be increased in line with the rise in the building cost index. After the date of agreement the unspent portion of the contract money would be upcosted every 3 months in accordance with the building cost index. Their figure has been constructed on the basis that TDC accept the PSA estimates for the cost of the buildings and the special requirements (mainly security) but back their own judgement on what happens in the North East so far as site development, contingencies and fees are concerned. They would pass on any risks of cost overruns, other than those attributable to inflation and changes in requirements, by means of the fixed price contract to the contractor. TDC add that if their judgement turns out to be wrong they will foot the bill. The Department of the Environment at present estimates the risk to public money to be low and apparently are prepared to find the money if necessary. We understand that they are in discussion with the Treasury on this point. Prima facie the TDC offer represents a much cheaper way of proceeding than was suggested by the PSA estimates. The risks involved, although not borne by MOD, nevertheless will be a charge to the public purse and if the PSA estimates are correct the element of subsidy could amount to some £25M. TDC are apparently confident of

their ability to get a contractor to quote a fixed price on the basis of the present outline specification. Others with experience in the field have some doubt about this but since under the proposal the risk would be borne by TDC, this is not strictly speaking a matter for MOD. Furthermore, the PSA, who have long experience of building to MOD requirements, believe that during development unavoidable alterations to the original brief occur and they allowed £5.5M (£6M in 1988 prices) to their estimate for Building Development and Design Contingencies to cover this, making a total including relocation of tenants of £126.2M. Teesside with a different philosophy did not include this item in their offer. They considered that the cost of alterations to the brief should be negotiated as and when they occurred. We have therefore added £6M for Building Development and Design Contingencies to the TDC offer, to cover this eventuality. (Similar provision at lower level is already included in the RAW option). When this adjustment has been made the comparison of total estimates is £126.2M for PSA and £101M for TDC, both estimates being subject to increases in accordance with the movements of the building cost index in the manner described above.

25. It is not easy to quantify the risks. MOD experience shows that PSA estimates of the cost of work for MOD are often exceeded. There is no MOD experience to enable evaluation of TDC's expressed confidence in the achievement of northern architects and building contractors. Since there is some risk of an additional charge on the public purse (although not to MOD), the PSA figures have been included in this Investment Appraisal. These figures do not, however, represent the cost to MOD of the TDC options and para 38a shows the effect on the Appraisal of assuming that TDC are correct.

Land Values

26. The basic land values used in this Appraisal represent the minimum that PSA expect to realise from the disposal of part or parts of the property. On Treasury advice the old Crown land at RAW, which is the property of the Crown Estate Commissioners, is included in this Investment Appraisal and the valuations attributed to the various parts of the property are as follows:

	£M
RAW, Riverside Front (MOD portion)	3.5
RAW, Riverside Front (Crown Estate portion)	3.5
RAW, Eastern Boundary	6.5
RAW, Central core (MOD portion)	7.0
RAW, Central core (Crown Estate portion)	4.5
RAE	3.0
Aquila	5.5

The value of the Dial Square area at RAW, which is part of the Crown Estate, is put at nil because the costs of decontamination are thought likely to equal any sale value. The cost of purchasing the Teesside site is included in the TDC estimate of building costs.

27. It is quite possible that the realisable value of the property might well prove to be very much higher. The land at Woolwich might attract an imaginative developer to take advantage of the proximity to the Channel Tunnel, the recent decision to go ahead with the East London River Crossing and the continued expansion of Thamesmead. In particular the disposal of RAW as a whole might generate a substantial premium over the sum of the parts. For these reasons PL(Lands) have agreed with the Crown Estate and the PSA jointly to commission a consultant to conduct a study of the full potential of the site if it is developed as a whole. With the best will in the world,

however, the results are unlikely to be available before the end of September 1988. Furthermore, the assumed planning permission at Aquila, which is technically in the Green Belt although fully developed, is limited (demolition of half the existing buildings with the remainder being used for research and development of a 'high-tech' nature). It may however be realistic since, on the one hand, during World War II the War Office agreed the land should be cleared and returned to use as a golf course and on the other hand, a number of the better buildings erected there since 1970 have been constructed in conformity with the proper planning procedures. If Aquila could be regarded as a special case (residential development, for example) its value could be trebled. If, on the other hand, environmental pressure made it necessary to clear the site its value would be lost.

28. At an early stage in negotiations TDC said they would take over and sell on MOD and CEC behalf the establishments at Woolwich and Aquila. Their provisional suggestion was that they would get £47M and perhaps more. They broke this down into £28M for RAW, £4M for RAE and £15M for Aquila. This proposal was not accepted at the time because PL(Lands) and PSA considered that in the fullness of time MOD would probably be better served by keeping the land until the time for sale came. Nevertheless, the total of the current valuations in para 26 is £33.5M but TDC still stand by their offer. It is therefore arguable that their figure of £47M is the nearest approach so far to a valuation by the market. The effect of taking the value of the land made available by the Teesside option at the TDC figure has therefore been addressed at paragraph 39.

OTHER FACTORS

29. Recruiting and Retention of Staff. For grades other than professional engineers and scientists, for whom there is a UK - wide market, recruiting and retention should be much better in the North East than the South East. Furthermore, DGDQA runs a substantial apprentice scheme and has large Graduate, Student and Technician Engineer intakes, as well as recruiting directly at PTO, HPTO and SPTO levels and their equivalents in the scientific grades. In the longer term and particularly if the local Universities, Polytechnics and Technical Colleges geared themselves to a QA presence, the North East is likely to provide more and better quality recruits in the professional area too. Historically retention of junior staff has been very poor, particularly in the South East. It should be better in the North East.

30. The effects of relocation to Teesside on local unemployment levels. One of the prime justifications for relocation is that some 1250 jobs would be moved to the region and there would be training for 250 apprentices in addition. To begin with 600 or so existing staff would be transferred but their purchasing power would generate economic activity. The staff involved are typically aged between 35 and 50 and are married. There is a proportion - perhaps a high one - of working-wives and working-offspring (or children about to enter the job market) but there is no basis for estimating how many. The overall effect on unemployment levels in the North East therefore cannot be estimated - but it is likely to be a product of 'knock-on' effects rather than a direct one.

31. The effects of relocation to Teesside on levels of unemployment in the Woolwich area. No inquiries have been made as to the impact on unemployment

levels in the Woolwich area of approximately 300 redundancies (mainly Industrial grades). Although economic activity in the area is increasing the overall unemployment level in the Borough of Greenwich (in which the Royal Arsenal sites are located) is still high (10.2%).

32. Pay. No provision has been made in the appraisal for the possible effects of local allowances other than London Weighting. In part, this is because Woolwich (and Bromley) are currently not included in the areas being considered, although a case has been submitted for their inclusion. It seems unlikely that local allowances will be paid to staff in Teesside in the forseeable future.

Travel and subsistence

33. Relocation to the North East would lead to some increase in travel and subsistence costs and additional time lost. Collocation would offset some of these costs. The exact trade-offs would be difficult to ascertain but some increase in expenditure seems likely. The best guess is £0.5M a year.

34. Another area of expense which has been identified is the cost of local staff recruited in the North East prior to the transfer who will need to work on detached duty in the South East in preparation for the move. £1.3M has been included in the costings spread over two years.

35. Project Support Division (PSD). This Division provides certain services to MGO including publications and drawings. It is collocated with other DGDQA units at RAW but its future is the subject of a number of studies. Due to the uncertainty its accommodation requirements were excluded from the 1987 Feasibility Study and have been excluded from this Appraisal. If it were decided that the Division should remain collocated with DGDQA the additional building cost for both the Woolwich and Teesside options would be of the order of £5M.

36. Crown Estate. Part of the Riverside Front and Central Portion at RAW is old Crown land which when MOD use ceases should be returned to the Crown Estate Commissioners. The return of this land would, even if it were not sold, lead to a productive use beneficial to the public purse. The value of this land (£8M) has been included in the Investment Appraisal for the appropriate options.

PRESENTATION OF RESULTS

37. The objective of investment appraisal is to determine the most cost-effective option over the lifetime of a project. The lifetime of a building project has been taken as 60 years. The calculation of the Net Present Values (NPV's) for each of the three options is shown in Annex F and the results are set out below:

	Over a 60 year Period	Over a 25 year Period
	£M	£M
Three Sites	309	229
Woolwich	280	211
Teesside	257	211

The second column has been added because some consider that a 25 year period is a more realistic period to highlight in an MOD Investment Appraisal given the kind of life enjoyed by successive generations of military equipment and defence institutions.

38. The straightforward deduction that springs from these figures is that Teesside provides the most cost effective location.

SENSITIVITY ANALYSIS

39. Before drawing conclusions, however, it is necessary to test the results for their sensitivity to variations in the component figures. We have examined the way in which the overall NPV's would be affected if:

a. the TDC estimate of the costs of the Teesside proposal were correct.

b. the value of the land were to be higher than estimated by PSA and Defence Lands (using TDC's estimate of £47M for all three sites).

c. the works costs are under-estimated by 20%.

d. works costs in the South East increase faster than elsewhere (resulting in a 20% differential in favour of Teesside).

e. the cost of staff in the South East increases by 10% relative to the cost in Teesside.

The results of this work are set out in Annex J.

40. The significant point from this work is to demonstrate that the figures are sensitive to variations in the major capital elements (value of land vacated and cost of works). These elements, however, seem likely (although by no means certain) to operate in opposite directions, so that overall there is a reasonable chance that conclusions drawn on the basis of this appraisal will remain valid.

FUNDING

41. The next question is how the costs of these options relate to the provision for expenditure by DGDQA already in the LTC. There are large portions of DGDQA unaffected by questions of collocation/relocation (the Industry Directorate, for example) and the Investment Appraisal figures cover only those areas of DGDQA provision which vary with the options. To understand the effect of the options on the LTC it is necessary to start from the total provision for DGDQA in LTC 88 at 1988/89 prices and to break it down into DGDQA Votes and Other Votes and also into running and non-running costs. The detail is set out in Annex G but a summary of the total effect each option would have on the LTC is set out below:

LTC Year	Three Sites	Woolwich	£K Teesside
88/89	+ 172	+ 1372	- 528
89/90	+ 1887	+ 1054	+19034
90/91	+ 4763	+ 6424	+38854
91/92	- 3920	+ 13595	+23235
92/93	- 8210	+ 10112	- 1770
93/94	- 808	+ 6250	- 6555
94/95	- 165	- 8117	-15863
95/96	- 38	- 4790	- 9036
96/97	+ 1268	- 3194	- 7440
97/98	- 112	- 4294	- 8690
Totals	- 5163	+ 18412	+31241

The three site option shows variations against the LTC 88 provision mainly to reflect the decision to sell some land at RAW in any event and the decision to move the Services Forms and Publications Stores to Llangennech. In both the Woolwich and Teesside cases the figures show the impact of the substantial investment involved: heavy expenditure up front, followed by reductions in running costs. The pay back period for the Woolwich solution is 17 years and for the Teesside solution 14 years. The three site option is the basis for the LTC 89 bids. The Woolwich and Teeside options have been put forward as alternative assumptions.

42. If DGDQA relocation to Preston Farm proceeds, there is a funding problem within the Defence Budget during the years from 1989/90 to 1991/2. Thereafter there are considerable savings. Although a move for DGDQA has no overriding defence purpose and might therefore be thought to be a poor case for additional funding, it can be argued that:

a. MOD is striving for greater efficiency and if relocation takes place the figures suggest that it will make a considerable and quantifiable contribution to the achievement of efficiency savings and reductions in running costs in the long term. The reduction in annual expenditure to be derived from the capital outlay is £7M;

b. DGDQA has responsibilities in relation to a procurement programme costing over £9 billion. If only a small increase in its effectiveness results from this move (after the transitional period) this would represent a considerable return to the Services;

c. if nothing is done and DGDQA drifts along on its three current sites Ministers will attract criticism from Teesside and Woolwich. More land, manpower and other resources will be used than necessary;

d. demographic trends suggest that current recruiting and retention problems can only get worse. A move away from the crowded South East offers the prospect of real benefits for DGDQA and probably for the PE as a whole.

CONCLUSION

43. The conclusion of this Investment Appraisal is that the most cost effective location for the DGDQA units concerned appears to be the Teesside option. If, however, it is impossible to fund this over the LTC period, a collocation at Woolwich is still likely to show some savings in the longer term. If no increase on LTC 88 is feasible only the three site option is possible and this would forego the long term savings arising out of the other proposals.

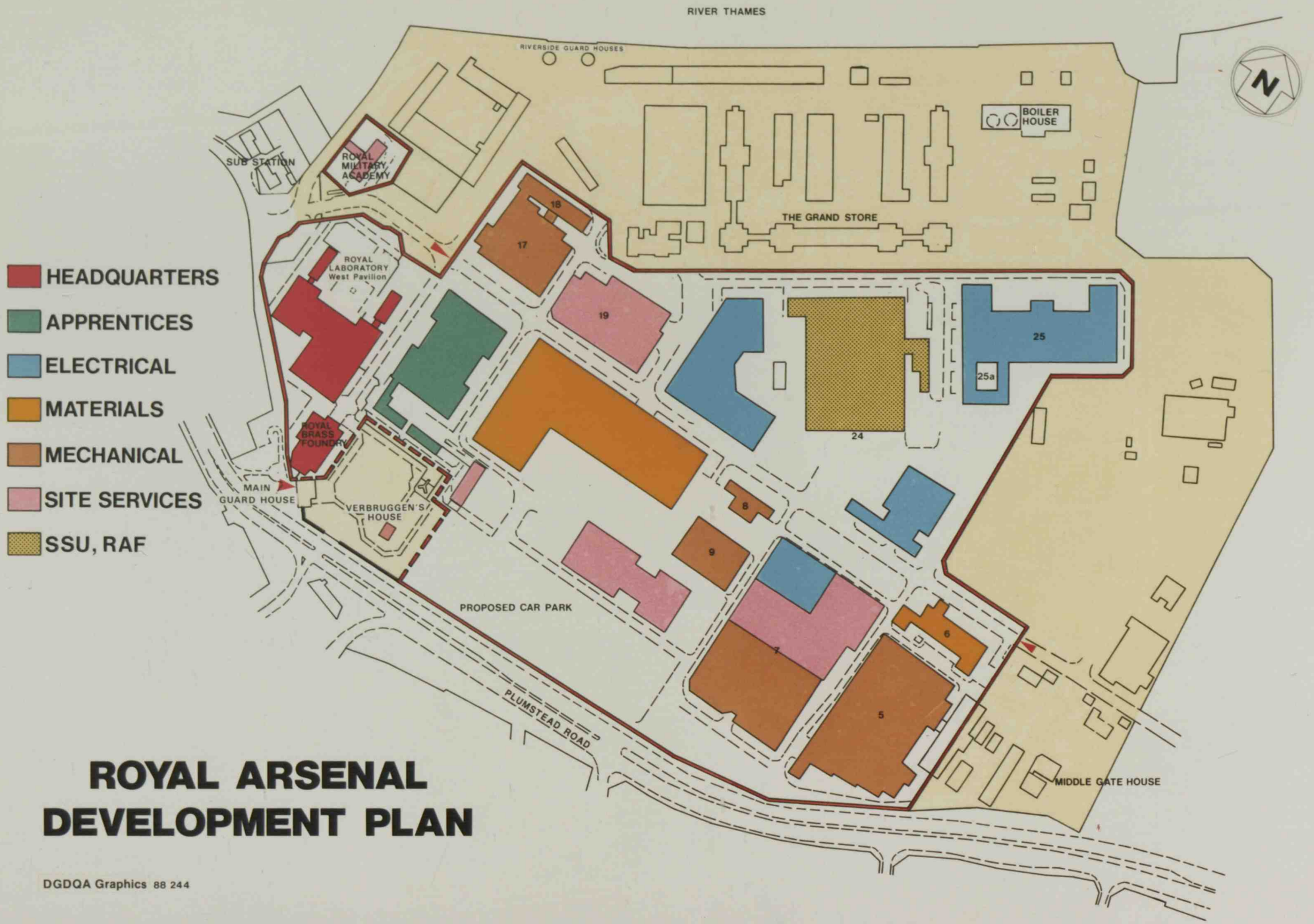
Annex A

LIST OF TENANT DEPARTMENTS

Royal Arsenal West

Common Services (Publications and Stationery)3 - Naval Publications Store Air Publications and Forms Store	The Services Forms and Publications Stores, which include CS(PS)3 and APFS, will be rationalised and collocated at Llangennech, South Wales
Special Signals Unit, RAF	If DGDQA remain at all three sites or collocate at RAW, SSU will continue to occupy Building 24. If DGDQA were to collocate at Preston Farm the SSU would have to move to a place not yet decided. The options would have to be examined. The estimated cost of removal is £5M. RAF Henlow is not an obvious choice because it cannot be assumed with confidence that the civilian staff would move there or that if they did no replacements would be found locally.
RAF Movement Unit (London)	It is intended to transfer this Unit to RAF Northolt. It is not presently envisaged that the move would take place within five years.
Civil Service Occupational Health Service, South East Region	It is envisaged CSOHS would continue to occupy limited office accommodation if DGDQA remain at all three sites or collocate at RAW. Should DGDQA relocate at Preston Farm provision for a Medical Centre only is assumed to be necessary.
Property Services Agency, District Works Office	It has been assumed that the DWO staff, with the exception of those DEL who carry out maintenance work on DGDQA facilities and who will presumably be taken over by MOD, will not be accommodated at RAW or Preston Farm.

HM Customs and Excise, Stores Branch	It is envisaged that HM Customs and Excise will seek alternative rented accommodation. They currently rent Building 41 and the agreement provides that they can be given 12 months' notice to quit.
The British Library, Books Supply Department	The new building at St Pancras will start to come on-line at the end of 1991. Some stock will be transferred from Woolwich in the first stages which will enable Building 48 to be given up by April 1993. It is assumed that British Library will be advised to seek alternative accommodation for the remainder of their material.
National Maritime Museum	If DGDQA remain on all three main sites it is assumed that the Museum could continue to occupy the Royal Brass Foundry. Negotiations with the Museum and the Department of the Environment (who own the building) with a view to DGDQA occupation and use would be necessary if DGDQA are to collocate at RAW. The National Maritime Museum are attempting to obtain the use of the Devonport Nurses Home, Greenwich as additional accommodation but a decision has not yet been made.
<u>Aquila</u>	
Assistant Directorate Quality Assurance (Nuclear)	It is envisaged that the Assistant Directorate will continue at Aquila if DGDQA remain at all three sites. If DGDQA collocate at RAW or Preston Farm it is assumed that ADQA(Nuc) will be moved, probably to AWE in Berkshire, at an estimated cost of £3M.



ROYAL ARSENAL DEVELOPMENT PLAN

DGDQA Graphics 88 244

ANNEX B

Appendix to Annex B

DEVELOPMENT OF ROYAL ARSENAL WEST

1. The area of land, totalling approximately 13 hectares (32 acres), running along the riverside and around to and including the eastern end of the Royal Arsenal West site was originally earmarked for possible disposal in the Woolwich Development Plan (1983). DGDQA has retained it pending the preparation of a plan for its long term accommodation requirements and also to give an opportunity to MOD and Other Government Departments to claim it for an appropriate use. (For example it could have been used to take units at present in Central London).

2. The remainder of the site, some 17 hectares (43 acres), which it is proposed should be retained is capable of being developed to house those DGDQA facilities currently located at Royal Arsenal East and Aquila. The proposed development (Annex B) makes the best use of those existing buildings which are worth keeping whilst allowing proper density of accommodation and providing sufficient space for car parking. It is envisaged that a new HQ Building should be constructed adjacent to and incorporating the Royal Laboratory Pavilions (c. 1696) which lie at the extreme western end of the site on land owned by the Crown Estate Commissioners. This new building would, therefore, be most convenient to the Woolwich town centre and would utilize land which is known to be heavily contaminated.

3. If the Royal Laboratory area were to be released there would need to be a corresponding increase in the amount of saleable land to be retained on the eastern boundary. Significant costs of decontamination would also accrue.

4. The only major problem connected with the alienation of land concerns the planned withdrawal of The British Library who occupy three large buildings located on the riverside area. The new Library building at St Pancras has been subject to long delay but will start to come on-line at the end of 1991. Current plans are for some stock to be transferred from Woolwich in the first stages and for one building to be given up by April 1993. The British Library are not yet clear as to whether other buildings would be given up or when this would happen.

FINANCIAL APPRAISAL - LTC YEARS REMAIN AT THREE SITES

£K

	TOTAL	YEAR 1 88/89	2 89/90	3 90/91	4 91/92	5 92/93	6 93/94	7 94/95	8 95/96	9 96/97	10 97/98
PSA COSTS											
Pt IIs/Maintenance - RAE	6130	500	500	520	520	520	520	630	730	840	850
- AQUILA	6360	500	850	870	590	590	590	590	590	590	600
- RAW	33257	2900	3917	3505	3225	2935	2935	3585	3485	3385	3385
Construction Costs	14940	-	1656	8474	4760	50	-	-	-	-	-
Resource Costs	1770	200	410	670	490	-	-	-	-	-	-
TOTAL	62457	4100	7333	14039	9585	4095	4045	4805	4805	4815	4835
DGDQA COSTS											
Support Costs - RAE	6438	660	650	641	641	641	641	641	641	641	641
- AQUILA	20537	2069	2060	2051	2051	2051	2051	2051	2051	2051	2051
- RAW	80537	8366	8293	8264	8196	7903	7903	7903	7903	7903	7903
Removal/Refurbishment	500	-	-	-	-	500	-	-	-	-	-
TOTAL	108012	11095	11003	10956	10888	11095	10595	10595	10595	10595	10595
OTHER COSTS											
CREDITS											
Sale of Surplus Land	13500	-	-	-	7000	6500	-	-	-	-	-
TOTAL	156969	15195	18336	24995	13473	8690	14640	15400	15400	15410	15430

Annex C

FINANCIAL APPRAISAL - LTC YEARS
COLLOCATION AT RAW (CONVENTIONAL FINANCING)

£K

	TOTAL	YEAR 1 88/89	2 89/90	3 90/91	4 91/92	5 92/93	6 93/94	7 94/95	8 95/96	9 96/97	10 97/98
PSA COSTS											
Pt IIs/Maintenance - RAE	1400	400	300	300	200	150	50	-	-	-	-
- AQUILA	2200	500	500	400	400	400	-	-	-	-	-
- RAW	21900	2900	2700	2000	2000	2000	2000	1700	1900	2200	2500
Construction Costs	65600	-	-	10000	20000	20000	15600	-	-	-	-
Resource Costs	9800	1500	3000	3000	1500	500	300	-	-	-	-
TOTAL	100900	5300	6500	15700	24100	23050	17950	1700	1900	2200	2500
DGDQA COSTS											
Support Costs - RAE	3233	660	650	641	641	641	-	-	-	-	-
- AQUILA	8231	2069	2060	2051	2051	-	-	-	-	-	-
- RAW	84069	8366	8293	8264	8196	8600	8470	8470	8470	8470	8470
Removal/Refurbishment	1500	-	-	-	-	1000	500	-	-	-	-
TOTAL	97033	11095	11003	10956	10888	10241	8970	8470	8470	8470	8470
OTHER COSTS											
Relocation of Tenants	3000	-			3000	-	-	-	-	-	-
CREDITS											
Sale of Sites & Surplus Land	22000	-	-	-	7000	6500	5500	3000	-	-	-
TOTAL	178933	16395	17503	26656	30988	26791	21420	7170	10370	10670	10970

FINANCIAL APPRAISAL - LTC YEARS
RELOCATION AT PRESTON FARM (TDC CONVENTIONAL FINANCING)

£K

	TOTAL	YEAR 1 88/89	2 89/90	3 90/91	4 91/92	5 92/93	6 93/94	7 94/95	8 95/96	9 96/97	10 97/98
PSA COSTS											
Pt IIs/Maintenance - RAE	1500	400	300	300	200	200	100	-	-	-	-
- AQUILA	1800	500	500	400	200	200	-	-	-	-	-
- RAW	10000	2500	2500	2000	1000	1000	1000	-	-	-	-
- NEW SITE	3150	-	-	-	-	-	200	400	600	900	1050
Consultancy Fee	950		180	430	340						
Cost of TDC Proposal	95000	-	18000	43000	34000	-	-	-	-	-	-
Bldg Dev. & Design Contingency	6000		3000	2000	1000						
TOTAL	118400	3400	24480	48130	36740	1400	1300	400	600	900	1050
DGDQA COSTS											
Support Costs - RAE	3533	660	650	641	641	641	300	-	-	-	-
- AQUILA	9231	2069	2060	2051	2051	1000	-	-	-	-	-
- RAW	39540	8366	8293	8264	8264	6353	-	-	-	-	-
- NEW SITE	29912	-	-	-	-	3526	5950	5109	5109	5109	5109
Removal/Refurbishment	3650	-	-	-	-	2000	1650	-	-	-	-
Transfer/Redundancy/Misc	15000	-	-	-	-	7000	8000	-	-	-	-
TOTAL	100866	11095	11003	10956	10956	20520	15900	5109	5109	5109	5109
CREDITS											
Sale of Sites	33500	-	-	-	7000	6500	9000	11000	-	-	-
TOTAL	185766	14495	35483	59086	40696	15420	8200	(5491)	5709	6009	6159

Annex E

INVESTMENT APPRAISAL
COLLOCATION/RELOCATION OF DGDQA
COMPARISON OF OPTIONS

	FINANCIAL APPRAISAL	INVESTMENT APPRAISAL	
	LTC YEARS £M	25 YEARS £M (NPV)	60YEARS £M (NPV)
REMAIN AT THREE SITES	157	229	309
COLLOCATE AT RAW - CONVENTIONAL FINANCING	179	211	280
RELOCATE AT PRESTON FARM - TDC CONVENTIONAL FINANCING	186	211	257

Annex F

DGDQA LOCATION STUDIES
INVESTMENT APPRAISAL
REMAIN ON THREE SITES

Appendix 1 to Annex F

YEAR		NPV FACTOR	Total Staff Related	Total Utility etc	Total Mtce/ PtII	Total Constr/ Rsrce	Total Relctn Tenant	Total Removal Refurb	Total Credits	Grand Total	Discount Grand Total
FY88/89	0	1.0000	8127	2968	3900	200	0	0	0	15195	15195
FY89/90	1	0.9524	8127	2876	5267	2066	0	0	0	18336	17463
FY90/91	2	0.9070	8127	2829	4895	9144	0	0	0	24995	22670
FY91/92	3	0.8638	8059	2829	4335	5250	0	0	-7000	13473	11638
FY92/93	4	0.8227	7959	2636	4045	50	0	500	-6500	8690	7149
FY93/94	5	0.7835	7959	2636	4045	0	0	0	0	14640	11470
FY94/95	6	0.7462	7959	2636	4805	0	0	0	0	15400	11491
FY95/96	7	0.7107	7959	2636	4805	0	0	0	0	15400	10945
FY96/97	8	0.6768	7959	2636	4815	0	0	0	0	15410	10429
FY97/98	9	0.6446	7959	2636	4835	0	0	0	0	15430	9946
FY98/99	10	0.6139	7959	2636	5335	0	0	0	0	15930	9779
FY99/00	11	0.5847	7959	2636	4700	0	0	0	0	15295	8943
FY00/01	12	0.5568	7959	2636	4700	0	0	0	0	15295	8516
FY01/02	13	0.5303	7959	2636	4700	0	0	0	0	15295	8111
FY02/03	14	0.5051	7959	2636	4700	0	0	0	0	15295	7726
FY03/04	15	0.4810	7959	2636	5200	0	0	0	0	15795	7597
FY04/05	16	0.4581	7959	2636	4700	0	0	0	0	15295	7007
FY05/06	17	0.4363	7959	2636	4700	0	0	0	0	15295	6673
FY06/07	18	0.4155	7959	2636	4700	0	0	0	0	15295	6355
FY07/08	19	0.3957	7959	2636	4700	0	0	0	0	15295	6052
FY08/09	20	0.3769	7959	2636	5200	0	0	0	0	15795	5953
FY09/10	21	0.3589	7959	2636	4700	0	0	0	0	15295	5489
FY10/11	22	0.3418	7959	2636	4700	0	0	0	0	15295	5228
FY11/12	23	0.3256	7959	2636	4700	0	0	0	0	15295	4980
FY12/13	24	0.3101	7959	2636	4700	0	0	0	0	15295	4743
FY13/14	25	0.2953	7959	2636	5200	0	0	0	0	15795	4664
FY14/15	26	0.2812	7959	2636	4700	0	0	0	0	15295	4301
FY15/16	27	0.2678	7959	2636	4700	0	0	0	0	15295	4096
FY16/17	28	0.2551	7959	2636	4700	0	0	0	0	15295	3902
FY17/18	29	0.2429	7959	2636	4700	0	0	0	0	15295	3715
FY18/19	30	0.2314	7959	2636	5200	0	0	0	0	15795	3655
FY19/20	31	0.2204	7959	2636	4700	0	0	0	0	15295	3371
FY20/21	32	0.2099	7959	2636	4700	0	0	0	0	15295	3210
FY21/22	33	0.1999	7959	2636	4700	0	0	0	0	15295	3057
FY22/23	34	0.1904	7959	2636	4700	0	0	0	0	15295	2912
FY23/24	35	0.1813	7959	2636	5200	0	0	0	0	15795	2864
FY24/25	36	0.1727	7959	2636	4700	0	0	0	0	15295	2641
FY25/26	37	0.1644	7959	2636	4700	0	0	0	0	15295	2514
FY26/27	38	0.1566	7959	2636	4700	0	0	0	0	15295	2395
FY27/28	39	0.1491	7959	2636	4700	0	0	0	0	15295	2280
FY28/29	40	0.1420	7959	2636	5200	0	0	0	0	15795	2243
FY29/30	41	0.1353	7959	2636	4700	0	0	0	0	15295	2069
FY30/31	42	0.1288	7959	2636	4700	0	0	0	0	15295	1970
FY31/32	43	0.1227	7959	2636	4700	0	0	0	0	15295	1877
FY32/33	44	0.1169	7959	2636	4700	0	0	0	0	15295	1788
FY33/34	45	0.1113	7959	2636	5200	0	0	0	0	15795	1758
FY34/35	46	0.1060	7959	2636	4700	0	0	0	0	15295	1621
FY35/36	47	0.1009	7959	2636	4700	0	0	0	0	15295	1543
FY36/37	48	0.0961	7959	2636	4700	0	0	0	0	15295	1470

FY37/38	49	0.0916	7959	2636	4700	0	0	0	0	15295	1401
FY38/39	50	0.0872	7959	2636	5200	0	0	0	0	15795	1377
FY39/40	51	0.0831	7959	2636	4700	0	0	0	0	15295	1271
FY40/41	52	0.0791	7959	2636	4700	0	0	0	0	15295	1210
FY41/42	53	0.0753	7959	2636	4700	0	0	0	0	15295	1152
FY42/43	54	0.0717	7959	2636	4700	0	0	0	0	15295	1097
FY43/44	55	0.0683	7959	2636	5200	0	0	0	0	15795	1079
FY44/45	56	0.0651	7959	2636	4664	0	0	0	0	15259	993
FY45/46	57	0.0620	7959	2636	4564	0	0	0	0	15159	940
FY46/47	58	0.0590	7959	2636	4464	0	0	0	0	15059	888
FY47/48	59	0.0562	7959	2636	3864	0	0	0	0	14459	813
FY48/49	60	0.0535	0	0	0	0	0	0	-15500	-15500	-829
TOTAL			478144	159118	284638	16710	0	500	-29000	910110	308861

DGDQA LOCATION STUDIES
INVESTMENT APPRAISAL
COLLOCATE AT RAW

Appendix 2 to Annex F

YEAR		NPV FACTOR	Total Staff Related	Total Utility etc	Total Mtce/ PtII	Total Constr/ Rsrce	Total Relctn Tenant	Total Removal Refurb	Total Credits	Grand Total	Discount Grand Total
FY88/89	0	1.0000	6745	4350	3800	1500	0	0	0	16395	16395
FY89/90	1	0.9524	6745	4258	3500	3000	0	0	0	17503	16670
FY90/91	2	0.9070	6745	4211	2700	13000	0	0	0	26656	24177
FY91/92	3	0.8638	6745	4143	2600	21500	3000	0	-7000	30988	26767
FY92/93	4	0.8227	5504	3737	2550	20500	0	1000	-6500	26791	22041
FY93/94	5	0.7835	4797	3673	2050	15900	0	500	-5500	21420	16783
FY94/95	6	0.7462	4797	3673	1700	0	0	0	-3000	7170	5350
FY95/96	7	0.7107	4797	3673	1900	0	0	0	0	10370	7370
FY96/97	8	0.6768	4797	3673	2200	0	0	0	0	10670	7221
FY97/98	9	0.6446	4797	3673	2500	0	0	0	0	10970	7071
FY98/99	10	0.6139	4797	3673	3000	0	0	0	0	11470	7041
FY99/00	11	0.5847	4797	3673	2500	0	0	0	0	10970	6414
FY00/01	12	0.5568	4797	3673	2500	0	0	0	0	10970	6108
FY01/02	13	0.5303	4797	3673	2500	0	0	0	0	10970	5817
FY02/03	14	0.5051	4797	3673	2500	0	0	0	0	10970	5541
FY03/04	15	0.4810	4797	3673	3000	0	0	0	0	11470	5517
FY04/05	16	0.4581	4797	3673	2500	0	0	0	0	10970	5025
FY05/06	17	0.4363	4797	3673	2500	0	0	0	0	10970	4786
FY06/07	18	0.4155	4797	3673	2500	0	0	0	0	10970	4558
FY07/08	19	0.3957	4797	3673	2500	0	0	0	0	10970	4341
FY08/09	20	0.3769	4797	3673	3000	0	0	0	0	11470	4323
FY09/10	21	0.3589	4797	3673	2500	0	0	0	0	10970	3937
FY10/11	22	0.3418	4797	3673	2500	0	0	0	0	10970	3750
FY11/12	23	0.3256	4797	3673	2500	0	0	0	0	10970	3572
FY12/13	24	0.3101	4797	3673	2500	0	0	0	0	10970	3402
FY13/14	25	0.2953	4797	3673	3000	0	0	0	0	11470	3387
FY14/15	26	0.2812	4797	3673	2500	0	0	0	0	10970	3085
FY15/16	27	0.2678	4797	3673	2500	0	0	0	0	10970	2938
FY16/17	28	0.2551	4797	3673	2500	0	0	0	0	10970	2798
FY17/18	29	0.2429	4797	3673	2500	0	0	0	0	10970	2665
FY18/19	30	0.2314	4797	3673	3000	0	0	0	0	11470	2654
FY19/20	31	0.2204	4797	3673	2500	0	0	0	0	10970	2418
FY20/21	32	0.2099	4797	3673	2500	0	0	0	0	10970	2303
FY21/22	33	0.1999	4797	3673	2500	0	0	0	0	10970	2193
FY22/23	34	0.1904	4797	3673	2500	0	0	0	0	10970	2089
FY23/24	35	0.1813	4797	3673	3000	0	0	0	0	11470	2080
FY24/25	36	0.1727	4797	3673	2500	0	0	0	0	10970	1895
FY25/26	37	0.1644	4797	3673	2500	0	0	0	0	10970	1803
FY26/27	38	0.1566	4797	3673	2500	0	0	0	0	10970	1718
FY27/28	39	0.1491	4797	3673	2500	0	0	0	0	10970	1636
FY28/29	40	0.1420	4797	3673	3000	0	0	0	0	11470	1629
FY29/30	41	0.1353	4797	3673	2500	0	0	0	0	10970	1484
FY30/31	42	0.1288	4797	3673	2500	0	0	0	0	10970	1413
FY31/32	43	0.1227	4797	3673	2500	0	0	0	0	10970	1346
FY32/33	44	0.1169	4797	3673	2500	0	0	0	0	10970	1282
FY33/34	45	0.1113	4797	3673	3000	0	0	0	0	11470	1277
FY34/35	46	0.1060	4797	3673	2500	0	0	0	0	10970	1163
FY35/36	47	0.1009	4797	3673	2500	0	0	0	0	10970	1107
FY36/37	48	0.0961	4797	3673	2500	0	0	0	0	10970	1054

FY37/38	49	0.0916	4797	3673	2500	0	0	0	0	10970	1005
FY38/39	50	0.0872	4797	3673	3000	0	0	0	0	11470	1000
FY39/40	51	0.0831	4797	3673	2500	0	0	0	0	10970	912
FY40/41	52	0.0791	4797	3673	2500	0	0	0	0	10970	868
FY41/42	53	0.0753	4797	3673	2500	0	0	0	0	10970	826
FY42/43	54	0.0717	4797	3673	2500	0	0	0	0	10970	787
FY43/44	55	0.0683	4797	3673	3000	0	0	0	0	11470	783
FY44/45	56	0.0651	4797	3673	2464	0	0	0	0	10934	712
FY45/46	57	0.0620	4797	3673	2364	0	0	0	0	10834	672
FY46/47	58	0.0590	4797	3673	2264	0	0	0	0	10734	633
FY47/48	59	0.0562	4797	3673	1664	0	0	0	0	10134	570
FY48/49	60	0.0535	0	0	0	0	0	0	-7000	-7000	-375
TOTAL			296319	222714	154256	75400	3000	1500	-29000	724189	279786

DGDQA LOCATION STUDIES
INVESTMENT APPRAISAL
RELOCATE AT PRESTON FARM

Appendix 3 to Annex F

YEAR		NPV FACTOR	Total Staff Related	Total Utility etc	Total Mtce/ PtII	Total Constr/ Risk,etc	Total Removal etc	Total Credits	Grand Total	Discount Grand Total
FY88/89	0	1.0000	6745	4350	3400	0	0	0	14495	14495
FY89/90	1	0.9524	6745	4258	3300	26680	0	0	40983	39032
FY90/91	2	0.9070	6745	4211	2700	55430	0	0	69086	62661
FY91/92	3	0.8638	6745	4211	1400	45340	0	-7000	50696	43791
FY92/93	4	0.8227	13819	4701	1400	0	2000	-6500	15420	12686
FY93/94	5	0.7835	8202	3048	1300	0	1650	-9000	5200	4074
FY94/95	6	0.7462	2061	3048	400	0	0	-11000	-5491	-4097
FY95/96	7	0.7107	2061	3048	600	0	0	0	5709	4057
FY96/97	8	0.6768	2061	3048	900	0	0	0	6009	4067
FY97/98	9	0.6446	2061	3048	1050	0	0	0	6159	3970
FY98/99	10	0.6139	2061	3048	1050	0	0	0	6159	3781
FY99/00	11	0.5847	2061	3048	1050	0	0	0	6159	3601
FY00/01	12	0.5568	2061	3048	1050	0	0	0	6159	3429
FY01/02	13	0.5303	2061	3048	1050	0	0	0	6159	3266
FY02/03	14	0.5051	2061	3048	1050	0	0	0	6159	3111
FY03/04	15	0.4810	2061	3048	1050	0	0	0	6159	2962
FY04/05	16	0.4581	2061	3048	1050	0	0	0	6159	2821
FY05/06	17	0.4363	2061	3048	1050	0	0	0	6159	2687
FY06/07	18	0.4155	2061	3048	1050	0	0	0	6159	2559
FY07/08	19	0.3957	2061	3048	1050	0	0	0	6159	2437
FY08/09	20	0.3769	2061	3048	1050	0	0	0	6159	2321
FY09/10	21	0.3589	2061	3048	1050	0	0	0	6159	2210
FY10/11	22	0.3418	2061	3048	1050	0	0	0	6159	2105
FY11/12	23	0.3256	2061	3048	1050	0	0	0	6159	2005
FY12/13	24	0.3101	2061	3048	1050	0	0	0	6159	1910
FY13/14	25	0.2953	2061	3048	1050	0	0	0	6159	1819
FY14/15	26	0.2812	2061	3048	1050	0	0	0	6159	1732
FY15/16	27	0.2678	2061	3048	1050	0	0	0	6159	1649
FY16/17	28	0.2551	2061	3048	1050	0	0	0	6159	1571
FY17/18	29	0.2429	2061	3048	1050	0	0	0	6159	1496
FY18/19	30	0.2314	2061	3048	1050	0	0	0	6159	1425
FY19/20	31	0.2204	2061	3048	1050	0	0	0	6159	1357
FY20/21	32	0.2099	2061	3048	1050	0	0	0	6159	1293
FY21/22	33	0.1999	2061	3048	1050	0	0	0	6159	1231
FY22/23	34	0.1904	2061	3048	1050	0	0	0	6159	1173
FY23/24	35	0.1813	2061	3048	1050	0	0	0	6159	1117
FY24/25	36	0.1727	2061	3048	1050	0	0	0	6159	1064
FY25/26	37	0.1644	2061	3048	1050	0	0	0	6159	1013
FY26/27	38	0.1566	2061	3048	1050	0	0	0	6159	964
FY27/28	39	0.1491	2061	3048	1050	0	0	0	6159	918
FY28/29	40	0.1420	2061	3048	1050	0	0	0	6159	875
FY29/30	41	0.1353	2061	3048	1050	0	0	0	6159	833
FY30/31	42	0.1288	2061	3048	1050	0	0	0	6159	793
FY31/32	43	0.1227	2061	3048	1050	0	0	0	6159	756
FY32/33	44	0.1169	2061	3048	1050	0	0	0	6159	720
FY33/34	45	0.1113	2061	3048	1050	0	0	0	6159	685
FY34/35	46	0.1060	2061	3048	1050	0	0	0	6159	653
FY35/36	47	0.1009	2061	3048	1050	0	0	0	6159	621
FY36/37	48	0.0961	2061	3048	1050	0	0	0	6159	592

FY37/38	49	0.0916	2061	3048	1050	0	0	0	6159	564
FY38/39	50	0.0872	2061	3048	1050	0	0	0	6159	537
FY39/40	51	0.0831	2061	3048	1050	0	0	0	6159	512
FY40/41	52	0.0791	2061	3048	1050	0	0	0	6159	487
FY41/42	53	0.0753	2061	3048	1050	0	0	0	6159	464
FY42/43	54	0.0717	2061	3048	1050	0	0	0	6159	442
FY43/44	55	0.0683	2061	3048	1050	0	0	0	6159	421
FY44/45	56	0.0651	2061	3048	1050	0	0	0	6159	401
FY45/46	57	0.0620	2061	3048	1050	0	0	0	6159	382
FY46/47	58	0.0590	2061	3048	1050	0	0	0	6159	363
FY47/48	59	0.0562	2061	3048	1050	0	0	0	6159	346
FY48/49	60	0.0535	0	0	0	0	0	-2000	-2000	-107
TOTAL			160295	189371	68950	127450	3650	-35500	514216	257107

FINANCIAL APPRAISAL
RELATIVE EFFECTS OF OPTIONS ON LTC 88 (at 88/89 prices)

£K

	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	TOTAL
LTC 88 Provision Net											
Running Costs:											
DGDQA Votes	49490	48895	47881	48134	48295	50274	50258	50174	50270	50302	–
Non DGDQA Votes	2028	2238	2458	2318	1828	1828	1828	1828	1828	1828	–
Non Running Costs:											
DGDQA Votes	10742	14149	16488	17428	16737	13099	10577	11925	10187	10170	–
Non DGDQA Votes	–	–	–	–	–	–	–	–	-1400	–	–
Remain on Three Sites											
Running Costs:											
DGDQA Votes	+433	+111	+983	+1343	+1553	-1097	-441	-337	-431	-411	+1706
Non DGDQA Votes	–	–	+40	–	–	–	–	–	–	–	+40
Non Running Costs:											
DGDQA Votes	-261	+1776	+3740	-1763	-3263	+289	+276	+299	+299	+299	+1691
Non DGDQA Votes	–	–	–	-3500	-6500	–	–	–	+1400	–	-8600
Collocate at RAW											
Running Costs:											
DGDQA Votes	+333	+120	-157	-257	-440	-4140	-5094	-4790	-4594	-4294	-23313
Non DGDQA Votes	+1300	+2590	+2370	+1010	+500	+300	–	–	–	–	+8070
Non Running Costs:											
DGDQA Votes	-261	-1656	+4211	+13342	+16552	+15590	- 23	–	–	–	+47755
Non DGDQA Votes	–	–	–	-500	-6500	-5500	-3000	–	+1400	–	-14100
Relocate at Preston Farm											
Running Costs:											
DGDQA Votes	- 67	- 80	+143	-1057	+1896	-3731	-7476	-7222	-7126	-6976	-31696
Non DGDQA Votes	-200	-230	-200	-150	+6882	+6972	-1028	-1028	-1028	-1028	+8962
Non Running Costs:											
DGDQA Votes	-261	+19344	+38911	+27942	-4048	-796	-859	-786	-686	-686	+78075
Non DGDQA Votes	–	–	–	-3500	-6500	-9000	-6500	–	+1400	–	-24100

Annex G

EXPLANATORY NOTES

1. LTC 88 Net Provision: This details those amounts included in LTC 88 Votes for which DGDQA has vote management responsibility (up rated to 1988/89 Budgetary Prices) and includes Votes covering PSA expenditure for Parts I, II, III and IV in respect of DGDQA sites. Non DGDQA Votes have been included only to the extent that they are affected by DGDQA operations and include appropriate amounts for:

Running Costs - PSA Resource Cost, Catering Subsidy
Telecommunications, Ministry of Defence Police, Transfer/Redundancy Costs.

Non Running Costs - Sales Credits

2. The three options then identify how each of these elements will vary the basic benchmark if the project were to be adopted.

3. Non MOD costs such as Treasury Contribution in Lieu of Rates, Crown Estate Receipts and non cash costs such as superannuation have been specifically excluded as they have no affect on MOD LTC.

FINANCIAL APPRAISAL - LTC YEARS
RELOCATION AT PRESTON FARM (TDC LEASE)
(JUNE 1988)

£K

	TOTAL	YEAR 1 88/89	2 89/90	3 90/91	4 91/92	5 92/93	6 93/94	7 94/95	8 95/96	9 96/97	10 97/98
PSA COSTS											
Pt IIs/Maintenance - RAE	1500	400	300	300	200	200	100	-	-	-	-
- AQUILA	1800	500	500	400	200	200	-	-	-	-	-
- RAW	10000	2500	2500	2000	1000	1000	1000	-	-	-	-
- NEW SITE	3150	-	-				200	400	600	900	1050
Consultancy Fee	950	-	290	380	280						
Cost of TDC Proposal	74720	-	7290	7290	7290	7290	9112	9112	9112	9112	9112
Less Inflation Element (Assessed at 3%)	(10547)	-	(212)	(419)	(619)	(813)	(1252)	(1481)	(1703)	(1919)	(2129)
Bldg Dev. & Design Contingency	6000		3000	2000	1000						
TOTAL	87573	3400	13668	11951	9351	7877	9160	8031	8009	8093	8033
DGDQA COSTS											
Support Costs - RAE	3533	660	650	641	641	641	300	-	-	-	-
- AQUILA	9231	2069	2060	2051	2051	1000	-	-	-	-	-
- RAW	39540	8366	8293	8264	8264	6353	-	-	-	-	-
- NEW SITE	27412	-	-	-	-	3526	5450	4609	4609	4609	4609
Removal/Refurbishment	3650	-	-	-	-	2000	1650	-	-	-	-
Transfer/Redundancy/Misc	15000	-	-	-	-	7000	8000	-	-	-	-
TOTAL	98366	11095	11003	10956	10956	20520	15400	4609	4609	4609	4609
CREDITS											
Sale of Sites	25500	-	-	-	3500	6500	9000	6500	-	-	-
TOTAL	160439	14495	24671	22907	16807	21897	15560	6140	12618	12702	12642

MANAGEMENT IN CONFIDENCE

Appendix to Annex H

INVESTMENT APPRAISAL
RELOCATION AT PRESTON FARM (TDC LEASE)
(JUNE 1988 AND NOT UPDATED)

Year Year 0 = 88/89	Item	Actual Cost £K	Mid Year Discount Factor	Present Value £K
0	Pt II/Maintenance	3400	1.0000	3400
	DGDQA Support Costs	11095		11095
1	Pt II/Maintenance	3300	0.9524	3143
	DGDQA Support Costs	11003		10479
	PSA Consultancy Fee	290		276
2	Pt II/Maintenance	2700	0.9070	2449
	DGDQA Support Costs	10956		9937
	PSA Consultancy Fee	380		345
	Bldg Design/Dev Ctgcy.	3000		2721
3	Pt II/Maintenance	1400	0.8638	1209
	DGDQA Support Costs	10956		9464
	Sale of Surplus Land	(3500)		(3023)
	PSA Consultancy Fee	280		242
	Bldg Design/Dev Ctgcy.	2000		1728
4	Pt II/Maintenance	1400	0.8227	1152
	DGDQA Support Costs	11520		9478
	Removal/Refurbishment	2000		1645
	Transfer/Misc	7000		5759
	Sale of Surplus Land	(6500)		(5348)
	Bldg Design/Dev Ctgcy	1000		823
5	Pt II/Maintenance	1300	0.7835	1019
	DGDQA Support Costs	5750		4505
	Removal/Refurbishment	1650		1293
	Transfer/Misc	5000		3918
	Sale of Aquila and Surplus Land	(9000)		(7052)
6	Pt II/Maintenance	400	0.7462	298
	Sale of RAE & RAW	(6500)		(4850)
7	Pt II/Maintenance	600	0.7107	426
8	" "	900	0.6768	609
6 - 24	DGDQA Support Costs	4609	9.4686	43641
9 - 24	Pt II/Maintenance	1050	7.3352	7702
25 - 59	Pt II/Maintenance	1050	5.0776	5331
	DGDQA Support Costs	4609		23403
10 - 55	Five Yearly Refurbishments	500	2.5886	1294
1 - 4	Lease Costs (after discounting for inflation at 3%)	7933	3.3120	26274
5 - 9	" " " " " "	9916	2.7176	26948
10 - 14	" " " " " "	12395	1.9973	24757
15 - 19	" " " " " "	15493	1.3596	21064
20 - 24	" " " " " "	19366	0.9252	17917
60	Sale of Site & Buildings	(2000)	0.0535	(100)
	TOTAL NET PRESENT VALUE (NPV)			265371

Annex J

INVESTMENT APPRAISAL
SENSITIVITY ANALYSIS

1. The figures emerging from the Investment Appraisal:

	25 Yrs £M	60 Yrs £M
Three Sites	229	309
Woolwich	211	280
Teesside	211	257

were tested to assess the impact of changes in certain of the constituent figures.

2. Assuming that TDC succeed in completing the work within their cost estimate:

Three Sites	229	309
Woolwich	211	280
Teesside	188	234

3. Assuming TDC's estimate of the disposal value of the land at Aquila and Royal Arsenal is correct:

Three Sites	228	308
Woolwich	201	270
Teesside	201	246

4. Assuming the works costs increase by 20% :

Three Sites	232	312
Woolwich	224	293
Teesside	233	279

5. Assuming that works costs in the South East increase by 20% relative to costs in the North East:

Three Sites	232	312
Woolwich	224	293
Teesside	211	257

6. Assuming staff costs in the South East increase by 10% relative to the costs in Teesside:

Three Sites	238	315
Woolwich	217	283
Teesside	211	257

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2922 (one piece/item number)	Date and sign
Extract details: Wright to Wicks 26/8/88	X
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	29/11/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2922 (one piece/item number)	Date and sign
Extract details: PM to PoW 11/8/88 Prince of Wales	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	29/11/16
MISSING AT TRANSFER	
NUMBER NOT USED	
MISSING (TNA USE ONLY)	
DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

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Enter the department and series,
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Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

NLW has seen.

Treasury Chambers, Parliament Street, SW1P 3AG

N L Wicks Esq CBE
Principal Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

5 July 1988

Dear Nigel

RELOCATION OF GOVERNMENT WORK

We spoke about this earlier today. I attach:

- the briefing from the current edition of the Treasury Weekly Brief;
- the Paymaster General's Written Answer of 31 March;
- some Q&A briefing prepared for our Press Office; and
- the Hansard record of the adjournment debate on 9 May.

(If you want them, the new guidelines are attached to the Paymaster's minute of 15 March to the Prime Minister, entitled "Location of Government Work: Guidelines for the 1988 Expenditure Survey".)

2. We are not aware of any specific proposals to relocate to Blackburn. Departments are reviewing the location of their work at the moment, and will be submitting reports to the Treasury by the beginning of August. But even if these reports indicate a firm intention to relocate, it may be some time before Departments decide where they are relocating to.

3. Finally, you might like some information on relocation to the North West region generally. Over the last two years the number of DHSS staff at North Fylde, Lytham St Annes and Preston increased by about 1200. This year the Inland Revenue are moving 36 posts to Manchester, and 17 to Stockport.

Yours ever

Simon.

S P JUDGE
Private Secretary

1.5 New policy on location of Government work?

[Since 1979, some 12,000 civil service posts transferred out of London and South-East - half of them through centrally managed dispersal programme (now nearly complete) and half on initiative of individual departments. Four out of five civil servants already work outside Greater London.]

Paymaster General informed Commons on 31 March (OR vol 130 no 127 PtII col W610) that planning in hand for remainder of 1979 dispersal programme and confirmed introduction of successor policy. Gave some further details of policy in adjournment debate 9 May (OR vol 133 no 146 cols 123-130). No further central relocation targets to be set; instead Government will build upon tide of individual departmental initiative for relocation running strongly in past few years. Departments will review location of their work with view to finding sites offering advantages in terms of staff recruitment and retention, value for money and operational efficiency. Guidelines promulgated to Departments take account of regional policy dimension in terms agreed with regional and territorial departments and confirm requirement on Departments to consult their Trade Union Sides when planning relocations.

1.6 Too many civil servants and armed forces personnel working in South East?

[Various press reports 15 June. Michael Heseltine MP in speech on 14 June asserted (i) while less than 1/3 of population live in South East, more than 40 per cent (250,000) civil servants work there and (ii) while 30 per cent service personnel recruited from South, 60 per cent stationed there.]

Latest regional data on civil service numbers 1 April 1987 when 37.7 per cent (225,700) working in the South East; population (mid 86) 30.4 per cent. Accept South East larger proportion of civil servants than any other region; but much larger population than any other region. On number of civil servants per thousand of population, South West region scores higher than South East while Northern region nearly as high despite South East including national capital and seat of Government.

MOD's policy to improve, whenever possible, geographical spread of armed forces employment particularly into areas of high unemployment; but such moves must be justifiable in operational and economic trends.

Reference .....

Hansard 31 March 1988
Vol: 130
No: 127
WRITTEN ANSWER
COL: 610-611

Job Dispersal

Mr. Arnold: To ask the 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.

Mr. Brooke: 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.

Q Where has the Government got to in preparing and announcing new policy on location of Civil Service work?

A Paymaster General informed Commons on 18 January that 1979 dispersal programme nearly complete and Government would in due course announce successor policy emphasising cost, management and labour market advantage of relocation in suitable cases. Treasury now giving Council of Civil Service Unions an opportunity to comment at meeting on Friday 25 March. Expect to promulgate policy to departments, and announce to Parliament, shortly.

Q When exactly?

A Probably within a week or two.

Q What are main features of policy?

A No further central targets to be set. Departments and their Ministers to review and decide location of work in light of cost, management, recruitment opportunities and of regional policy.

Q How will regional policy be brought in?

A Departments planning to relocate work will give regional policy and territorial departments (Employment, Trade and Industry, Environment, Scottish, Welsh and Northern Ireland Office) opportunity to suggest locations. Their suggestions will be seriously appraised and considered.

Q How new is this policy?

A Not dramatically so. Since 1979, some 12,000 Civil Service posts transferred out of London and South-East - half of them through a centrally managed dispersal programme (now nearly complete) and half on the initiatives of individual departments seeking easier labour markets and lower costs - the very basis, in fact, of the new policy.

Q How many jobs will move, and where to?

A No central target, so can't say in advance. But expect sensible scale of movement because it will be in departments' interests.

Q "Next Steps" agencies specially targeted for relocation?

A No, but will be considered along with all other Civil Service work.

Q Position of staff whose jobs are relocated?

A Civil Servants in two categories - "mobile grades" in the last resort obliged to go where their departments want them to and "non-mobile grades" without this obligation. Treasury is offering CCSU that when jobs are relocated every effort will be made to avoid compulsory transfer of people in mobile grades and to find alternative jobs within reasonable travel distance for non-mobile grades.

Hansards Vol: 133 No. 146 (Paymaster General's speech Cols 126-130)

Government Departments (Relocation)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Peter Lloyd.]*

10.39 pm

Mr. James Cran (Beverley): I am pleased to have the opportunity of a short debate on the relocation of Government Departments and the dispersal of civil servants, not simply because I think that it is an important policy objective but because the Government share that view.

In 1979 the Government made a commitment to relocate civil servants and Government Departments. Indeed, they said that they would relocate 5,900 posts. I cannot criticise the Government in that regard because to date they are on course to meet that target. As I understand it, 5,500 posts have already been dispersed and the remainder of the process is in train.

In addition, 6,000 posts have been dispersed on Departments' own initiative. It would be interesting to know how they exercise their initiative in this regard. That means that over the past nine years about 11,500 — shortly to be 11,900—posts have been dispersed out of a Civil Service consisting of more than 500,000 individuals. My question is whether the progress to date is satisfactory. I say that because, even though the target will have been achieved, it was an exceedingly modest one in the first place. Given that it was a modest target, perhaps it could have been achieved more quickly.

It is said — especially by civil servants — that four fifths of the Civil Service is located outside Greater London. I have checked the facts, and that is absolutely true. However, as with all statistics, one needs to look behind the figures to find out exactly what they mean. While those statistics are factually correct, an analysis of the number of staff by economic planning region gives a wholly different picture. I considered non-industrial Civil Service staff in England, although I readily agree that I could have chosen the whole of the United Kingdom. I found that the south-east has the considerable total of 46·6 per cent. Dear old Yorkshire and Humberside — the House will understand why I call it that—has 7·2 per cent.; the west midlands has 7·1 per cent.; the north 7·4 per cent.; the east midlands 4·8 per cent., the north-west 12 cent., the south-west 11·3 per cent., while East Anglia comes up tail end Charlie with about 3·2 per cent.

Mr. Timothy Devlin (Stockton, South): I am sorry to interrupt my hon. Friend in mid-flow. Is he not appalled that out of about 600,000 civil servants in the United Kingdom, only 33,600 are in the northern region? Does that not show a signal failure on the Government's part to sell the northern region, with all its strengths, to civil servants, who should be moving north and making a valuable contribution to the local economy?

Mr. Cran: My hon. Friend makes his own point in his usual eloquent fashion, although he perhaps uses rather more extravagant language than I would use. I heard what he said, and there is no doubt that others did.

Let us move on to consider industrial civil servants, again in England. I shall not go through the figures, but essentially they are no different from those for non-industrial civil servants. When one puts the two together, one finds that the south-east of England is way ahead in its ability to attract and keep civil servants at the total of 46 per cent.

I have not mentioned Scotland, Wales and Northern Ireland because in a sense those three countries prove the point. They have their own Departments of State, and Scotland has almost 10 per cent. of the total number of civil servants in the United Kingdom. What is good for Scotland, Wales and Northern Ireland might be good for some of the other regions apart from the south-east. The gist of my remarks, therefore, is that the south-east is doing well and the other regions are doing extremely badly.

I am not one of that band of people who believe that we should disperse civil servants for the sake of doing so. If it is not cost-effective and does not increase or maintain efficiency, we should not do it, but there is no iron rule to suggest that if greater numbers of civil servants were distributed throughout the other regions either of those criteria could not be met. Indeed, cost-effectiveness can be measured. Inner London weighting cost the taxpayer the fairly substantial—some would say staggering—total of £675·5 million in the five years from 1983-84 to 1987-88. If I am correct in assuming that in the Government's view more civil servants could be dispersed, a considerable proportion of that sum could have been saved.

In saying that, I pay tribute to the fact that this Government of all Governments have been extremely careful in their management of public expenditure. I believe that the same could be equally true in this area. In addition to inner London weighting, there are intermediate and outer London zone costs, London pay additions, inner London secretarial allowances and London allowances for lawyers, accountants and those whom we have all learnt to love — tax inspectors. In other words, a myriad costs of this kind have grown up in an extremely tight labour market. That is another reason why relocation policy should perhaps be more aggressively considered.

There are other reasons. For some reason that is not entirely clear to me, it seems that in London civil servants work 41 hours per week whereas outside London they work 42 hours. Clearly, if more of them were outside London they would produce an extra hour's work each, which would again save taxpayers' money.

Resignation rates are an important consideration for any employer, and in this context the Government are the employer. For reasons that we all understand, resignation rates are far higher in the south-east than in any other region. That, again, entails additional and, in my view, needless costs to the taxpayer.

In addition to the manpower costs, there are office costs. It costs not far short of £300 million per annum in rent, rates and maintenance for all our buildings in Greater London. The Treasury guide to office rental values which has been laid in the Library shows that considerable savings could be made if offices were opened in other regions. To give the House the flavour of the situation, new office accommodation per square foot costs between £25 and £57 in City—my right hon. Friend the Minister will no doubt say that we do not have many offices there, and I take the point—£18·50 to £40 in the west end, in the London suburbs £7·50 to £17, in dear old Yorkshire and Humberside £4·75 to £7 and in the west midlands £3 to £8·50. It does not take a chartered accountant to work out the savings that could be made if we had a more aggressive policy.

That is the cost-effectiveness argument. What about the efficiency argument? Nothing in the Treasury guidelines

gests any major efficiency obstacles. Quite the contrary. The hoary old arguments that we have all heard about bad communications between London and offices relocated to Hull, Humberside or Stockton are nonsense. The Government's communications network covers the entire nation and can be adapted in almost any way to meet new technology. The developments in information technology, including visual and document transmission, render the arguments about bad communications completely out of date.

If I had longer, I could outline many other reasons why I believe that we should be more aggressive, but I shall canter quickly over three of them. The first is the contribution to regional economies. That significant reason has been accepted by the Government in the Treasury guidelines. An example is the move of the Manpower Services Commission to Sheffield. There is no evidence to show that that move was not extremely good, and there is plenty of evidence to show how it has affected the local economy.

Secondly, the regions have a stake in the government of the United Kingdom. We must dispel the notion that London-based means London-biased, although we understand why it has occurred. The civil servants who are out in the regions tend not to be the policy-makers. Far from it. They tend to be mainly functional. The further away civil servants are from the south-east, not only are there fewer of them but they are less senior. As one who has spoken to and worked with more regional directors of more Departments than anyone, I can honestly say that most of them believe that being sent to a region is like being sent to Siberia. They always keep their houses in the south of England because they know that they will move back. The simple reason is that most of the Civil Service is here.

The third point is the benefit to civil servants. This is an extremely difficult problem for the Government, but they are no different from other employers who must communicate with their work force. I hope that the Government will communicate aggressively with civil servants to show the advantage of relocation. My right hon. Friend the Minister is my Member of Parliament. When I was elected to the House, I had to buy a flat in Westminster, which cost twice as much as a four-bedroomed house in Yorkshire and Humberside. What a compelling reason for a civil servant to want to be relocated. But the facts must be presented to him.

To give my right hon. Friend the opportunity to reply, I end by saying that I have some anxiety about our relocation policy and the modest achievements that we have had to date. I do not say that we made a promise and did not keep it, because we indubitably did. But the targets were too modest, and there was a propensity to relocate out of Greater London simply to overspill into the south-east and the regions adjacent to it. I am worried that no more central targets will be set. From the experience of all the jobs that I did before I came to the House, I know that unless targets are set from on high, it is easy to find reasons not to do what is required. I am worried about that, and, therefore, the passive nature of the policy requires further consideration.

I am assuaged in going a little further only by the fact that there will be annual surveys of progress by Government Departments — perhaps my right hon. Friend will tell us when those are due—and that annual efficiency gains will be sought from Government Departments. Perhaps that will act as a spur to relocation.

We need greater progress. If the subject were debated on another occasion, hon. Members would agree that we should not return in another nine or 10 years to find that all we had done was to relocate 5,900 civil servants, plus the other 6,000. The other regions of the United Kingdom simply will not understand such lack of progress.

10.55 pm

The Paymaster General (Mr. Peter Brooke): I congratulate my hon. Friend the Member for Beverley (Mr. Cran) on his success in the ballot and on his choice of subject for our short debate.

If I had not known before of my hon. Friend's considerable interest in matters of Civil Service location generally and, of course, of his constituency and regional interest in these issues, the large number of pointed parliamentary questions that he has asked my self and others over recent months would have left me in no doubt of it.

My hon. Friend's choice of subject gives me a timely opportunity to elaborate a little on the Government's policy on the location of Government work, to provide some further background on the new phase of that policy that I announced to the House in March, and to assure my hon. Friend of the Government's continuing commitment to relocation, wherever that is efficient and cost-effective.

As my hon. Friend has rightly said, in 1979, we announced a programme for dispersing 5,900 Civil Service jobs out of London. As he acknowledges, that programme has been success and is all but complete. Some 5,560 jobs have already been relocated as a consequence. The locations to which they have gone are widespread and include Sheffield, Glasgow, East Kilbride, Southend, Salisbury and Norwich. Planning is in hand for the small balance of 340 jobs remaining for dispersal under the 1979 programme.

Over and above that centrally run dispersal programme, individual Departments have, at their own initiative, relocated a considerable number of jobs, or created new ones, out of London and the south-east. In all, those amount to well over 6,000. They include, for example, a new office with 150 posts created by Her Majesty's Land Registry in Hull, and increases in the number of Department of Health and Social Security jobs in North Fylde, Lytham St. Annes and Preston of almost 1,200. My hon. Friend and the House will also be aware of the recent decision to relocate the Patent Office to Newport, which should create at least 500 new jobs locally.

In all, therefore, since 1979, some 12,000 Civil Service jobs have been located or created outside London and the south-east, about half through the centrally managed dispersal programme and half at the intitiative of individual Departments.

That has contributed significantly to a substantial spread of Civil Service work and job opportunities throughout Britain, particularly when it is remembered that during this period the Civil Service has fallen significantly in size. The present picture is that about four fifths of all civil servants already work outside greater London and more than three fifths work outside London and the south-east. My hon. Friend will be more aware than most that the Yorkshire and Humberside region was a major beneficiary of the Government's dispersal

[Mr. Peter Brooke]

programme. The move of 1 760 Manpower Services Commission jobs from London to Sheffield accounts for almost one third of the total number of posts so far dispersed under this programme.

The figures that I have just quoted are good, but before I come to our plans for the future I should like to say a word about the interesting figures that my hon. Friend gave for civil servants in the English regions. I am not sure that I could endorse the details he gave, but the overall picture he paints is, within its limits, a fair one. The south-east has a larger proportion of civil servants—industrial and non-industrial—than any other English region, or than Scotland, Wales or Northern Ireland. It also has a significantly larger population than any other region, and if one looks at the number of civil servants per thousand of population the picture is rather different. The northern region, to which my hon. Friend the Member for Stockton, South (Mr. Devlin) referred, has almost as many —and the south-west region has more—civil servants per head of population as London and the south-east, despite the fact that the south-east region includes the national capital and seat of Government.

If my hon. Friend the Member for Beverley was seeking to create the impression that no other English region has the same or a higher proportion of civil servants as Scotland, Wales or Northern Ireland, I hope that he will allow me to correct him. At 1 April last year, the north-west region of England had 10 per cent. and the south-west region over 9 per cent. of the total non-industrial Civil Service—that is, civil servants in the United Kingdom as a whole—compared to just under 10 per cent. in Scotland, about 5 per cent. in Wales and just over 0·5 per cent. in Northern Ireland.

I assure my hon. Friend that the Government do not intend to rest on the progress already made. When, on 31 March, I informed the House in a written answer of the successful completion or near completion of the 1979 dispersal programme, I announced also a new phase in Government policy on the location of their work. I explained that, though no further central targets for relocation would be set, Departments will be reviewing the location of their 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.

After careful thought, we decided that it would not now be sensible to have a new version of the dispersal programme of 1979, which was centrally managed and had overall statistical targets, but that we would instead exploit the tide of individual departmental initiative for relocation that has been running strongly in the past few years and has, as I said, led to the actual or planned relocation of as many jobs as the formal dispersal programme itself. There are a number of reasons for this. First, it is consistent with the general trend in Civil Service management, which is to avoid central direction where possible and place the power to make decisions and the responsibility for making them with individual Departments acting within a clear framework of policy and with clearly defined incentives to take sensible decisions. It seems to us that decisions taken in this way are likely to be better decisions than those taken in conformity with some massive central blueprint or masterplan which would, very likely, be the product of a vast interdepartmental committee—probably meeting, incidentally, in the SW1 postal district!

Secondly, it is consistent with the general change that has been taking place in the economy and in decision-making processes. Property is cheaper and staff are easier to find, outside the south-east. Sensible businesses are increasingly exploiting these advantages, and we want to build on the wish of individual Government Departments to do the same.

My hon. Friend has some doubts that Departments will respond without central direction, but they have already shown that they are keen to do so. It is of the essence that I cannot forecast now exactly how many jobs will be relocated as a consequence of this new phase of our policy, but I am sure that all Departments will look seriously and sensibly at the options, and that if the trend of the past few years is any guide, a substantial number of jobs will be relocated, to the benefit of the efficiency of the Departments concerned, of their costs and the value for money that they give, and of the economic conditions in the receiving localities. I know that my ministerial colleagues are committed to this programme.

My hon. Friend refers to the guidelines for Departments on the location of work. These guidelines emphasise the importance of thorough reviews based on the principles that I have mentioned. They also require Departments to give adequate weight to Government policy for the regeneration of regions and inner cities and provide in a good deal of detail examples of the kind of cost and labour supply advantages that relocation can bring. I might add that they also offer the prospect, in suitable cases, of some short-term help from the Treasury with the transitional costs of relocation. Those costs can be significant, and we are anxious that they should not be a disincentive to achieving the longer-term benefits.

The new guidance takes account of the regional policy dimension in terms agreed with the regional and territorial Departments. It requires that

> "For all major possible relocations, i.e. 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 this does not provide the greatest overall saving the move must, however, generate a positive Net Present Value".

The new guidelines have been firmly linked to running costs and to the public expenditure survey; first, because we considered that the policy might work better if the Treasury agreed to consider requests for help with transitional costs by additions to running costs limits; secondly because some expenditure benefits might be expected to be achieved if relocation were chosen; and, thirdly, because the Treasury would need to "keep the score" of the overall plans and achievements of Departments as the new policy progressed. In addition, Treasury expenditure divisions will ensure, within the context of the annual expenditure survey arrangements, that Departments produce worthwhile and relevant proposals on relocation in accordance with the guidelines.

It is clear that there are benefits in the longer-term from sensible decisions on location and relocation. We have not done, retrospectively, a full cost-benefit analysis of the dispersal programme undertaken in 1979, but there is evidence that sensible decisions can lead to considerable savings. For example, a recent report submitted to my

right hon. and learned Friend the Secretary of State for Scotland evaluates very positively the results of dispersing part of the Overseas Development Administration from central London to East Kilbride in 1981. I understand that my right hon. and learned Friend intends to publish the report in the near future. I am sure that my hon. Friend will read it with interest and encouragement, and I have already made arrangements to circulate it to Government Departments generally as an example of the benefits that can be achieved.

As I am sure that the House will recognise, relocation is not the answer to every Civil Service problem; nor should it be seen as an automatic device for spreading employment opportunities. Some Civil Service work will have to remain in London and the south-east. People who live in these areas need local services just as much as people living elsewhere — jobcentre clients, for example. Although modern communications, technology and good transport links now mean that much work can be done elsewhere, some Civil Service work will always have to be done in close proximity to Parliament, Ministers and the City.

My hon. Friend mentioned the attitude of the Civil Service unions. It is of course important, in introducing policies of this kind, to consider the position of the staff who will be subject to the new arrangements. We have given an assurance to the Civil Service unions that, when jobs are relocated, every effort will be made to avoid the compulsory transfer of people in mobile grades and to find alternative jobs within reasonable travel distance for non-mobile grades. We have also confirmed, in the guidelines, the existing requirement on Departments to consult their own trade union sides when planning relocations; and, while there are issues which I have no doubt that the unions will wish to discuss further with the Treasury, I see no ground for pessimism.

In sum, I am sure that this new phase of location policy will yield considerable benefits—to Departments, to the public that they serve, to the Exchequer and to the localities which receive new Civil Service jobs. I will at the earliest suitable opportunity—probably some time next year — give the House some account of the progress made and planned. I am sure that my hon. Friend, with his enthusiasm for the subject, will not be alone among hon. Members in following this progress with keen interest. He has done a service to that cause and process by his detailed and eloquent treatment of the matter tonight.

To conclude on a personal note, as the local Member of Parliament for SW1 and adjacent places, I should say that 3 per cent. of the working population of the entire country comes to work in my constituency daily, leaving the rest of the House to look after the remaining 97 per cent. I am not jealous and I should be happy to see many of those people going to work elsewhere to the good of the rest of the economy.

Question put and agreed to.

Adjourned accordingly at nine minutes past Eleven o'clock.



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FROM THE MINISTER OF STATE

SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

1. Mr. Beaupark – with having a note for Thursday's Questions?

2. NBPM

PRC 24/6

The Hon Peter Brooke MP
Paymaster General
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

June 1988

Dear Peter,

LOCATION OF GOVERNMENT WORK

at flap PT3

in attached folder

With his letter of 25 March Malcolm Rifkind sent you an advance copy of a report commissioned by the Industry Department for Scotland on the impact of the dispersal of part of the Overseas Development Administration from central London to East Kilbride in 1981. You subsequently circulated the executive summary of the report to colleagues undertaking relocation reviews under the new guidelines.

I am writing now to let you know that we intend to publish the report on Thursday 30 June, with an accompanying press conference chaired by officials. A copy of the report, a press release and a statement I propose to issue are attached.

There is one specific point to which I should draw your attention. When sending you the advance copy of the report Malcolm Rifkind mentioned that on the basis of central assumptions and a 5% discount rate the net present value (NPV) of the dispersal had been estimated at £17.9 million. Since then the researchers have revised their estimates of the total NPV, with the result that in the base case noted above the estimate is now put at £14.9 million. I would emphasise however that the NPV remains strongly positive, as before, under all the scenarios examined, and that this change does not in any way affect the study's conclusions.

I am sending copies of this letter and the enclosures to Members of the Cabinet, Richard Luce, Patrick Mayhew and Chris Patten, and to Sir Robin Butler.

Yours ever,

Ian.

IAN LANG

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DRAFT

NOT FOR PUBLICATION, BROADCAST OR USE ON CLUB TAPES BEFORE 1100 HRS, THURSDAY, JUNE 30, 1988

OVERSEAS DEVELOPMENT ADMINISTRATION: THE BENEFITS OF RELOCATING IN EAST KILBRIDE

The relocation of part of the Overseas Development Administration office (ODA) to East Kilbride has resulted in significant public expenditure savings, and has brought substantial benefits to the local and national economies.

These are among the main findings of a report published today (Thursday) by a research team at Strathclyde University, headed by Mr Brian Ashcroft and Mr Kim Swales. The report, ODA Dispersal to East Kilbride: An Evaluation was commissioned last year by the Industry Department at the Scottish Office.

The Overseas Development Administration, which is responsible for managing Britain's aid programme to developing countries, had 427 posts moved from London to East Kilbride in 1981 in part of what was called the "post-Hardman" round of office dispersal. The Hardman review, published in 1973, considered 86,000 government posts in London and recommended that 31,000 should be dispersed.

In their central case the research team estimate cumulative public expenditure savings of some £16.4m as a result of the dispersal. Savings to ODA's running costs were found to be substantial, quickly realised and continuing. The principal savings were in rents, rates and London

weighting. Against these have to be set initial disruption, relocation and training costs, and costs associated with operating two distant sites. The largest quantifiable continuing cost of dispersal was the cost of employing additional staff. Effects which could not be quantified or valued include the temporary loss of output immediately after dispersal; any permanent effects on efficiency and quality of service; and the cost of longer-term structural problems resulting from added restrictions on the deployment and development of staff resources.

The researchers found that most of the 427 posts in East Kilbride were filled locally, with around 113 staff transferring to East Kilbride. ODA staff who were questioned said there was a reduction in both commuting costs and travel to work time in East Kilbride, and that the local environment and services were "superior" to previous locations. The overwhelming majority of staff who transferred expressed the opinion that the quality of life was higher in East Kilbride, and preferred their new location.

The report says there were substantial gains for the local economy. In the short-run, employment is estimated to have risen by 413 jobs in East Kilbride, and 436 in Strathclyde Region as a whole. In the long run, these effects are estimated to be some 10% higher. The ODA posts in East Kilbride generated an extra 55 jobs in local services through increased consumer expenditure. In financial terms, the dispersal is estimated to have brought in an extra £3.3m into Strathclyde Region as a whole (1987 prices).

Taking account of all quantifiable costs and benefits, the dispersal is estimated to have produced a significant saving in national resource terms of some £14.9m.

In summary, the researchers conclude that the ODA dispersal 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 south-east England to a development area.

NOTES FOR NEWS EDITORS

The ODA is part of the Foreign and Commonwealth Office and is headed by the Minister for Overseas Development, Mr Christopher Patten. It employs some 1,600 staff in total: the London office deals with bilateral and multilateral aid programmes, while Abercrombie House at East Kilbride is responsible for a number of other areas, including the recruitment and administration of personnel under the ODA's overseas manpower programmes.

Copies of the report are available from Scottish Office Library, Official Publication Sales, Room 2/66A, New St Andrew's House, Edinburgh EH1 3TG, Telephone 031-244 4806. Price £5.

Craig Lindsay: 031-244 4966

June 29, 1988

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NOT FOR PUBLICATION, BROADCAST OR USE ON CLUB TAPES BEFORE 1100 HRS, THURSDAY, JUNE 30, 1988

MR LANG COMMENTS ON REPORT:
ODA DISPERSAL TO EAST KILBRIDE

Commenting on the publication today (Thursday) of the report by Strathclyde University researchers on the effects of relocating part of the Overseas Development Administration Office (ODA) from London to East Kilbride, Mr Ian Lang MP, Minister of State at the Scottish Office with responsibility for industry said:

"This report is a valuable addition to our knowledge of the benefits of relocation of work from London to Scotland. I find particularly significant the report's findings on the advantages to the local and national economies which have resulted from the relocation. The fact that the great majority of ODA staff now enjoy an enhanced quality of life at East Kilbride is another very positive aspect.

Although the study has examined only one instance of relocation, I believe its findings are more widely relevant. Under arrangements announced earlier this year, Government Departments are reviewing their location of work to identify areas offering operational and cost advantages. I am sure that all Departments considering moves from London and the South-East will benefit from a careful consideration of this report."

Craig Lindsay: 031-244 4966

June 29, 1988

CIVIL SERVICE: Dispersal Pt 4

INDUSTRY DEPARTMENT FOR SCOTLAND

ODA Dispersal to East Kilbride: An Evaluation

ESU RESEARCH PAPER

No. 14

ODA Dispersal to East Kilbride: An Evaluation

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April 1988

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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 seven 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.

EXECUTIVE SUMMARY

1. This report evaluates 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 15 in non-mobile grades moved to East Kilbride on dispersal.

3. The study attempts 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 are identified and where possible quantified and valued. They are 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 is made of the cost per net additional local job.

4. In order to identify these costs and benefits, three major pieces of work were 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 obtained directly 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 five main categories:

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

1987–88 prices are used and where appropriate the net present value (NPV) is estimated as at 1981–82. In general, conservative estimates are 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 1987–88 there is a net saving of £0.8, £0.5 and £0.07 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 communication costs are relatively small at £234.6 thousand *per annum*.

9. *Effects 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 markets.

(d) Reduced efficiency because of problems of staff deployment.

(e) Reduced efficiency through communications losses.

(a) Previous heads of dispersed departments told us that there were significant efficiency losses in some departments in the period immediately following dispersal. These short-term efficiency losses are not attributable to East Kilbride as a location but are likely to accompany any dispersal exercise. ODA management argued that there were also temporary output losses at Eland House around the time of dispersal and 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 two 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 £0.6 million *per annum* for as long as the present complement of staff remains at East Kilbride.

12. The departmental resource effect includes large quantifiable continuing cost-savings on rents, rates and London weighting. These cost savings have NPVs of £11.1, £6.7 and £10.2 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 response rate was just over 60% and those responding were, on most criteria, a representative 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 five 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 these were a problem. The average loss of income through involuntary unemployment was 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 are 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 are 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 381 Civil Service jobs in East Kilbride in 1987 increased 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 department 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 (1981–82). 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 ODA 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	£11.1 million	
⋆ Net Savings in Rates	£6.7 million	
⋆ Net Savings in PSA Maintenance and Administration	£1.0 million	
⋆ Saving of London Weighting	£10.2 million	
	Total benefits	£29.0 million

At a 5% discount rate the net present value (NPV) of the dispersal is £14.9 million. The dispersal "breaks even" in the financial year 1987–88, ie in this year cumulative net savings become positive.

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) With discount rates of 7% and 10% the NPVs are still highly positive at £10.7 million and £6.6 million respectively.

(b) A 30% increase in ODA employment at East Kilbride increases the NPV to £17.0 million: a 30% decline still leaves a positive NPV of £12.8 million.

(c) Even taking the most extreme case of no value of output for Pensions in the two year dispersal period, a large positive NPV of £13.3 million remains.

27. However, it might be that the efficiency effects of dispersal are much more diffuse, affecting the quality of aid administration in general. The annual quantifiable savings from dispersal are £1.4 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 saving would be nullified if the efficiency of the resources funded from the Aid Administration Vote were reduced by 4.6%.

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 £16.4 million. This implies there is a *negative* cost-per-job of approximately £43,000.

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 THE DISPERSAL OF OFFICES

1. 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 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 simply abandoned any plans for office expansion, 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 assisted 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 assisted 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 (1971) 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, some of which are referred to above, none of these studies seem 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 Fleming and recommended the dispersal of 50,000 jobs from London. "Sir Gilbert Fleming's approach was to identify self contained units of executive 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. Seventy per cent 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 (pp.6–7):

(i) The 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 (p.9) 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 to 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 Civil Servants 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 are 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 assisted 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 local recruits were previously in non-clerical employment. The jobs thus vacated may well have been suitable for those previously registered as unemployed (Stephen 1975, pp.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 £7,000" and asks "On what basis does Sir Henry make this judgement?".

1.21 Since the Hardman Review little new research has been undertaken on dispersal. 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. This study estimated that there were likely to be considerable net resource benefits from the dispersals studied. The Civil Service Department have also conducted appraisals of the dispersal programme (Committee on Scottish Affairs, 1981, Volume 2, Appendix 1) showing a substantial net resource cost for dispersal to Glasgow and East Kilbride. These differences occurred because of the different emphasis placed on various aspects of the evaluation and disagreement over certain assumptions concerning the multiplier values. 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 1,177 ODA posts from London to Glasgow. 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. 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 original number was made up as follows:

Overseas Resettlement Bureau	19
Departments now being Relocated	458
Common Services	319
Directorate of Overseas Surveys	381
	1,177

1.24 In 1974 the Government decided that the number to be dispersed should be 1,000 including 350 from the Directorate of Overseas Surveys.

1.25 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.

1.26 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
	1,009

1.27 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

These reductions were mainly the result of increased labour productivity and manpower reductions in the ODA. The decision not to disperse the Directorate of Overseas Surveys was taken by the Government in July 1979: the reason given was cost factors. This reduction in the number of dispersed jobs was partly made up by dispersing to East Kilbride part of the Crown Agents which occupies Abercrombie House with the ODA.

1.28 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.

1.29 The dispersal took place in 1981 and involved 427 posts. Of these 156 were in the mobile grades and 271 in non-mobile grades. Sixty-one Civil Servants already employed by the ODA in London moved with ODA to its new location. An additional 113 Civil Servants, mainly in mobile grades, moved from other government departments to the ODA at East Kilbride. Thus 251 non-mobile posts were filled by direct local recruitment.

1.30 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.

Table 1.1: Civil Servants in Post at East Kilbride in June 1987 by Grade

Messengers	35
Secretaries	20
Administrative Assistant/Officer	162
Executive Officer	86
HEO	53
SEO	15
Principal	7
Senior Principal	2
Grade 5	1
Total	381

CHAPTER 2 THE RESEARCH METHOD

2.1 The project comprised four major elements. These were:

- ⋆ A literature review of previous work on office dispersal.
- ⋆ An impact analysis on the recipient region.
- ⋆ A questionnaire-based study of all mobile grades currently located at East Kilbride.
- ⋆ Interviews with senior staff in London and East Kilbride.

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

2.2 A review of the existing literature on office dispersal was undertaken and is summarised in Chapter 1. This 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 is analysed using an extended Keynesian multiplier model with separate estimates for East Kilbride and Strathclyde Region. The model adopted is used in previous work, and its detailed formulation is given in Ashcroft and Swales (1982a) and Nairn and Swales (1987). It is specifically designed to deal with situations where there is significant in-migration, and gives 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 is important for two aspects of the study:

(a) Data on certain characteristics of the mobile and potentially mobile Civil Servants is 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 are 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 include 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 abondoned 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 quality of locally-recruited staff, and problems of staff deployment;

(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 are 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 variations in the discount rate, the assumed future ODA 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 1981–82 present values, at 1987–88 prices[1] using a discount rate of 5%, over one time horizon, 30 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 provided 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 6 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.

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 payments made to help the transfer of 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 one SEO, one EO and one CO. In 1976 the Unit was expanded by the addition of one Principal, one HEO and another EO, but not all these posts were filled throughout the life of the Unit. In 1980 the complement was reduced to one Principal, one SEO and one 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 one HEO and one EO were in post for only half of the subsequent 5 year period. Hence, one SEO, and one EO, are assumed to have been in post for the full life of the Unit, one Principal from 1976–77 to disbandment, one CO until 1980, and one HEO and one EO from 1976–77 for 2.5 years.

3.6 We have applied the basic staff costs from the 1980 'Ready Reckoner' to generate cost estimates at 1987–88 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.

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

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

	Present Value 1981–82 £ '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 one HEO and one SEO year during 1980–81. The present value in 1981–82 of the basic staff cost at 1987–88 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 1981–82 £ '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 (113b) 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	—	—	—	—	—	—	—

[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 four AOs who transferred from other Government Departments.

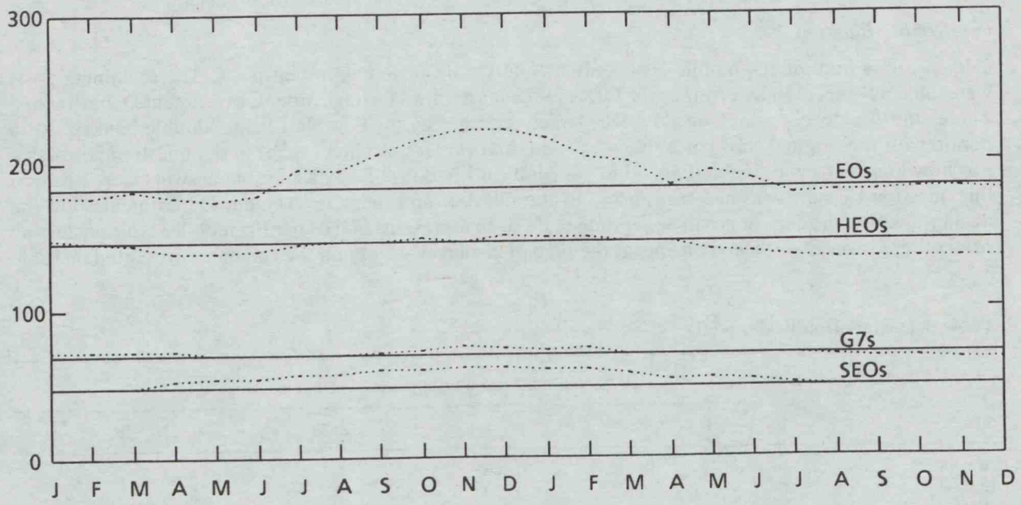
3.11 The data in Table 3.1 produce an estimated double-banking time of 0.58 years for the AO grades, 15.9 years for the EOs, 10 years for HEOs, 2.67 years for the SEOs, 0.5 years for the G7s and 1.75 years for the G6s. However, the ODA has suggested to us that an evaluation of this time would produce 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 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

Figure 3.1 **Staff in Post: Actual and 'Norm' in Dispersal Period**

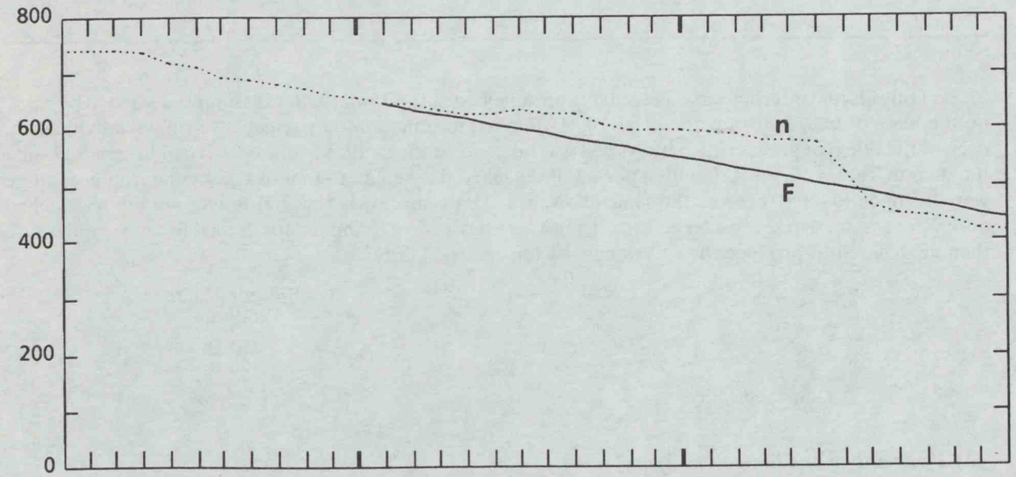


[4]Other than detached duty costs.
[5]HQ employment in the post-dispersal period has been adjusted downwards slightly to remove the extra staff that the ODA reports as being necessary to run the offices in the two locations.

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 1981.[6] The resulting outcome is graphed in Figure 3.2. The monthly difference between A–F was

Figure 3.2 **Non-Mobile HQ Grades Actual and Forecast Staff in Post**



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 1981–82 £ '000s
Double-Banking and Surplus Staff	£1,340.88

(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,

[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, Personal Secretaries, Typists and Messengers.

lodgings, travel and retention of rooms. Question (113a) 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:

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

	Months on Detached Duty Prior to Dispersal											
Grade	1	2	3	4	5	6	8	9	10	11	12	13
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.[8] The estimated totals paid for each grade were then aggregated to produce the following cost for detached duty:

	Present Value 1981–82 £ '000s
Detached Duty	£523.44

(iii) **Payments to Facilitate Staff Transfer**

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 analysed. 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 1981–82 £ '000s
Transfer Payments	£482.92 to £1,213.25

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.

[8]So for the EOs the median case is 9 months and the allowance received by the representative individual was £4,151. Total allowances for EOs were therefore estimated to be: $[2 \times 3/9 \times 4151] + [2 \times 5/9 \times 4151] + [5 \times 6/9 \times 4151]$ . . . and so on.

No attempt is made to value efficiency losses in this chapter. However, in Chapter 6 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 after 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 four 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 2 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 1981–82 £ '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 1983–84 to 1987–88. PSA inform us that after 1983–84 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 1983–84 and 1985–86 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 1981–82 and 1982–83, 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

[9]But see footnote 12 on page 21.

'missing years'. We have, therefore, estimated the global charges for these years assuming the charges to be the same in real terms as in 1983–84. The breakdown for these years, including 1983–84, and for 1985–86, is based on the allocation in 1984–85. ODA has confirmed that these costs are for all the six floors of Abercrombie House and therefore relate to both 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 1981–82 £ '000s
Rental charges at Abercrombie House	£5,413.16

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 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 1987–88 savings accrued solely from the vacation of the Annexe.[10] From 1987–88 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 1987–88 and then applying the 1987 ODA staff complement at Abercrombie to these costs minus the 32 additional staff that ODA estimate are necessary to run the two sites.[12] This procedure produces the following estimate of the gross rental savings:

	Present Value 1981–82 £ '000s
Gross Rental Saving	£16,552.41

3.35 On an annual basis, the *net rental saving* is £0.8 million per annum from 1987–88 onwards which when allowance is made for the smaller savings in the first 6 years after dispersal produces a net present value of £11.1 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.

[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 £13.9 million and £8.5 million, respectively, compared with the £11.1 million and £6.7 million net savings reported below.

[11]The lease has now been renewed for a period up to 5 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 1987–88 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 1987–88 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 1987–88 prices, £2.21 million compared with a 'peak' rental payment of £2.36 million in 1984–85. The PSA informs us that rental charges are eventually adjusted to reflect the occupancy rate of building.

(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 generally be 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 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 on 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 1981–82 £ '000s
Rates Bill at Abercrombie House	£3,485.77
Gross Rates Saving	£10,198.78

3.41 On an annual basis, the *net rates saving* is £0.5 million per annum from 1987–88 onwards which when allowance is made for the smaller savings in the first 6 years after dispersal produces a net present value of £6.7 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[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

[13]See Debenham, Tewson and Chinnock (1987).
[14]See Bennett (1980).

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 1981–82 £ '000s
Maintenance and Administration at Abercrombie	£1,241.52
Maintenance and Administration gross savings	£2,235.58

3.44 On an annual basis, the *net maintenance and administration saving* is £0.07 million per annum from 1987–88 onwards which when allowance is made for the smaller savings in the first 6 years after dispersal produces a net present value of £1.0 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 operations. 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.

Table 3.3: Additional (Abandoned) Informal Contacts Per Month

	Number per month												
Grade	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

3.48 The data in Table 3.3 must be interpreted with some 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.

(ii) **Extra Telecommunication**

3.50 These are estimated by ODA to be £60,000 per year at 1986–87 prices. Estimated present values in 1981–82 at 1987–88 prices are:

	Present Value 1981–82 £ '000s
Extra Telecommunications	£1,021.15

(iii) **Travel and Subsistence**

3.51 ODA has provided us with data on the expenditure on UK fares and subsistence for the year to 30 June 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 1986–87 expenditures are not atypical the following present values are estimated:

	Present Value 1981–82 £ '000s
Fares (UK)	£1,214.18
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 Table 3.4

3.53 The data in Table 3.4 leads 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 1981–82 £ '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 1986–87, and data provided by IDS that in appraisals the value of travel during leisure time is usually taken to be £1.68 at 1987–88 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 1,730 hours (1,792), and for SEOs 260 hours (861). If it is also further assumed that the higher grades travel only in leisure time, which

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

Grade	Number per Year 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	—	—	—	—	—	—	—

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

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 1987–88 prices, which in present value terms is:

	Present Value 1981–82 £ '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 Abandonded 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 abandonded meetings for each grade[15] then compute the present values for the total value of abandoned meetings:

[15]For example for EOs the estimate is [24 × 7 × 7.35 × 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 1986–87, and 1.04 is the mark-up for 1987–88 prices.

Table: 3.5: Additional (Abandoned) Formal Meetings

Grade	Number Per Year							Per Cent	
	0	1	2	3	4	12	16	Total	Abandoned
EO	**84**	—	—	—	—	**2**	—		
	86	—	—	—	—	—	—	24	24
	86	—	—	—	—	—	—		
HEO	43	6	—	—	—	—	**2**		
	51	—	—	—	—	—	—	44	15
	47	2	2	—	—	—	—		
SEO	**13**	**1**	—	—	—	**1**	—		
	11	*1*	—	*1*	*1*	—	—	24	16
	13	1	1	—	—	—	—		
G7	**4**	**1**	**1**	—	—	—	—		
	4	*1*	*1*	—	—	—	—	7	6
	4	1	—	—	—	—	—		
G6	—	**1**	—	—	—	**1**	—		
	1	—	*1*	—	—	—	—	17	26
	1	—	1	—	—	—	—		
G5	—	—	—	1	—	—	—		
	1	—	—	—	—	—	—	3	5
	1	—	—	—	—	—	—		

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

	Present Value 1981–82 £ '000s
Abandoned Meetings	£82.19

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: six posts in E&OD, two in the Staff Training Unit, one in Welfare and 23 in Office Services, including two in Records Management and five 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 1981–82 to 1987–88 and then expressed in 1987–88 prices. In 1987–88 these additional labour costs amounted to £371.29 thousand per year. The net present value at 1981–82 is therefore estimated to be:

	Present Value 1981–82 £ '000s
Additional Posts	£6,032.41

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 occured 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 Establishment 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 claimed in the interviews that the efficiency of the ODA departments in both London and East Kilbride has improved over the last 6 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 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 eight 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.

Table 3.6: AO Staff—Wastage Rates London and East Kilbride

Year	London		East Kilbride	
	Resignations	Percentage Complement	Resignations	Percentage Complement
1984	7	5	8	5.0
1985	11	8	4	2.5
1986	12	9	10	6.0
1987 (to end Oct)	19	14	3	2.0

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.

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.	First 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	0.00
Abercrombie House	22	0	0.00	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, ODA also arrange 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 available 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. That is, excluding the 32 additional staff at Abercrombie necessary to run the two sites. 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 1987–88 the saving is £649.71 thousand per annum which after allowing for the smaller saving in earlier years produces the following net present value:[16]

	Present Value 1981–82 £ '000s
London Weighting Saving	£10,214.51

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

[16]Savings in London Weighting are estimated by taking the difference in average salary costs from the Treasury's 'Ready Reckoner'. The estimates therefore take full account of wage cost differences between the two locations.

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:

Table 3.8: Summary of Net Present Values—5% Discount Rate, 30 Year Time Horizon, 1987–88 Prices

	Present Value 1981–82 £'000s	
Costs		
1. *Initial Dislocation*		
Additional Staff	561.88	
Writing Manuals	84.28	
Double-Banking	1,340.88	
Detached Duty	523.44	
Transfer Payments	1,213.25	
Total		3,723.73
2. *Accommodation*		
Furnishings	556.14	
Rents	5,413.16	
Rates	3,485.77	
PSA (Maintenance and Administration)	1,241.52	
Total		10,696.59
3. *Communications*		
Extra Telecommunications	1,021.15	
Fares (UK)	1,214.18	
Subsistence (UK)	526.54	
Cost of Travel Time	996.43	
Abandoned Meetings	82.19	
Total		3,840.49
4. *Efficiency and Staff Deployment*		
Additional Posts	6,032.41	
Total		6,032.41
Total Costs		**24,293.22**
Savings		
1. *Accommodation*		
Rents	16,552.41	
Rates	10,198.78	
PSA (Maintenance and Administration)	2,235.58	
Total		28,986.77
2. *Staff*		
London Weighting	10,214.51	
Total		10,214.51
Gross Savings		**39,201.28**
Net Savings	**14,908.06**	

(a) accommodation incurs both the greatest costs and savings. In present value terms, net savings of £11.1 million, £6.7 million and £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 £10.2 million which outweighs the £9.6 million extra labour-related costs due to the additional permanent posts required to run the two locations (£6 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 £39.2 million and total costs of £24.3 million the dispersal realises net savings of £14.9 million.

(ii) Non-Quuantifiable Effects

3.90 There were several effects that could not be quantified or valued. These were 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, some conclusions can be drawn:

(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;

(c) 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;

(d) 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 more so in the future.

CHAPTER 4 THE 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 representativeness 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 is 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 assume 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.

4.7 Thirdly, at disperal around one-third of the posts in mobile grades were filled by ODA staff transferring from London. However, of those respondents who took up their post at East Kilbride at disperal less than one-sixth were transferring ODA staff. This is illustrated in Table 4.1.

Table 4.1: Respondents Taking up Their Post at East Kilbride at Dispersal, broken down by Previous Employment and Mobility

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

4.8 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 relocated with dispersal, of which over a half (61) transferred from ODA in London. These 61 are represented by only 10 individuals in the sample.[1]

(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 the sample replies reflects 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 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, five people are identified as coming from outwith the Civil Service at dispersal. The four 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

4.10 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 is given in Table 4.2.

Table 4.2: Average Relocation Cost, by Category of Expenditure, for Respondents Relocating with the Dispersal

Previous Post	ODA	Other Government Department	
		London	Elsewhere
Temporary Accommodation	608 (4)	513 (3)	2,015 (6)
	196 (4)	613 (3)	2,007 (6)
Solicitor's Fees	570 (5)	1,221 (5)	1,428 (9)
	570 (5)	1,221 (5)	1,428 (9)
Estate Agent's Fees	350 (1)	749 (4)	881 (5)
	0 (1)	749 (4)	881 (5)
Surveyor's Fees	130 (2)	124 (5)	744 (5)
	130 (2)	124 (5)	744 (5)
Bridging Loan	810 (2)	3,450 (3)	2,594 (5)
	146 (1)	261 (3)	324 (4)
Removal Expenses	596 (8)	977 (5)	600 (10)
	596 (8)	477 (5)	658 (9)
Furniture and Fittings	3,333 (3)	1,067 (6)	1,411 (7)
	1,333 (3)	750 (5)	776 (5)
Preliminary Visits	416 (3)	441 (3)	719 (7)
	350 (3)	361 (3)	710 (7)
Total	6,813 (10)	8,542 (10)	10,392 (14)
	3,321	4,556	7,528

Note: 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.

[1]The figure of 113 is derived by multiplying the number of Civil Servants from each category by the proportion in that category that moved house. All those from London (83) moved house. From Table 4.1, we estimate that 32.6% of the 93 coming from other locations moved house.

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 whose expenditure in every category is 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 averges 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 £2,353, £3,422 and £4,782 respectively with the corresponding figures for the Civil Service contribution being £1,386, £1,956 and £3,506. 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 are not fully met by the Civil Service. On the other hand there might be offsetting effects in categories where payment from the Civil Service is greater than the actual amount the Civil Servant spent.

Spouses'/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 £24,188 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 moved to East Kilbride, they rarely chose a similar house to the one that they had 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 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 forgone 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 all respondents sold their previous house in 1981, but two sold in 1980, three in 1982 and two 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 two 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	30,667	34,412	35,060
Price of Present Home	31,250	39,250	40,500
Previous Mortgage	9,000	12,712	10,948
Present Mortgage	16,333	20,437	18,132
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 two in London to three in East Kilbride.

4.22 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 averge 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. First, 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 foregone 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 generally face different commuting costs in their new location. This is particularly the case for staff moving from London where commuting costs and travel-to-work times are, in general, particularly high. The questionnaire responses give estimates of travel costs in East Kilbride and the previous locations as listed in Table 4.5.

Table 4.5: The Average Weekly 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 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 has lower 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 concerns 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 consider for relocating Civil Servants is their relative evaluation of local services in East Kilbride. Respondents were asked to classify various local services as being 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 are 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.

4.33 Clearly, whilst public transport provision is regarded as worse than at the respondents' previous locations, 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.

4.34 It 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

Table 4.7: The Relative Evaluation of Local Service Provision at East Kilbride compared with the Respondents Previous Location for Staff moving to Abercrombie House with the 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 and 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.

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

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.

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 is, 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 London 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 transferred 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.

4.38 These results suggest that the dispersing staff have benefited from the ODA's move to East Kilbride. However, it could be argued that these results are insubstantial. 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

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.

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 THE IMPACT OF ODA DISPERSAL ON THE LOCAL ECONOMY

5.1 The impact of ODA dispersal on the local economy is 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 (1982a) and Nairn and Swales (1987).

5.2 Four impact estimates are 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.

Table 5.1: Impact of the ODA Dispersal on the East Kilbride and Strathclyde Region's Economies (£'000s at 1987 prices)

	East Kilbride		Strathclyde	
	Short Run	Long Run	Short Run	Long Run
Initial Employment Injuction				
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	3,184.5	3,568.1	3,418.4	3,969.5
Retained Local Income	1,925.9	2,157.3	3,290.7	3,756.4
Local Recruitment	219	243	332	381
Employment Multiplier	1.08	1.17	1.14	1.27
Local Employment Multiplier	0.53	0.64	0.87	1.00
Output Multiplier	1.11	1.25	1.19	1.38

5.3 Perhaps the most useful estimates to concentrate on are those for the short-run impact on the ecomomy 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.

5.6 The employment multipliers derived here are substantially lower than those produced in Ashcroft and Swales (1982a) 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 in the Strathclyde figures employment taken by the partners'/spouses' of the dispersing Civil Servants has been subtracted. This 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), and the overall effect on the national economy is assumed to be 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 *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 30 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 6.1.

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, £11.1 million, the saving on the London weighting, £10.2 million; net savings in rates, £6.7 million; and net savings in PSA maintenance and administration costs, £1.0 million.

[1]See for example the Civil Service Department Memorandum to the Scottish Select Committee on Office Dispersal (Scottish Select Committee 1981).
[2]See for example, Ashcroft and Swales (1982b).

Table 6.1 NPVs @ 5%—Four Time Horizons

	NPV @ 1981–82 @ 5%			
	6 years	30 years	50 years	Infinity
Costs	£	£	£	£
(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	1,340.88	1,340.88	1,340.88	1,340.88
Detached Duty	523.44	523.44	523.44	523.44
Transfer Payments	1,213.25	1,213.25	1,213.25	1,213.25
(b) *Accommodation*				
Furnishings	556.14	556.14	556.14	556.14
Rents	1,612.64	5,413.16	6,477.44	7,121.18
Rates	1,128.08	3,485.77	4,146.01	4,545.35
PSA (Maintenance and Administration)	474.75	1,241.52	1,456.24	1,586.12
(c) *Communications*				
Extra Telecommunications	378.94	1,021.15	1,200.99	1,309.77
Fares (UK)	450.57	1,214.18	1,428.02	1,557.36
Subsistence (UK)	195.39	526.54	619.27	675.36
Cost of Travel Time	369.77	996.43	1,171.92	1,278.06
Abandoned Meetings	30.50	82.19	96.66	105.42
(d) *Efficiency and Staff Deployment*				
Additional Posts	2,209.34	6,032.41	7,103.02	7,750.57
Total Costs	**11,129.86**	**24,293.22**	**27,979.45**	**30,209.07**
Savings				
(a) *Accommodation*				
Rents (London)	4,384.42	16,552.41	19,959.90	22,020.92
Rates (London)	2,637.66	10,198.78	12,316.17	13,596.88
PSA (Maintenance and Administration)	720.72	2,235.58	2,659.80	2,916.38
(b) *Staff*				
London Weighting	3,524.60	10,214.51	12,087.93	13,221.07
Total Savings	**11,267.40**	**39,201.28**	**47,023.80**	**51,755.26**
Net Savings	**137.54**	**14,908.05**	**19,044.35**	**21,546.19**

6.8 The net present value of the dispersal (NPV) is £14.9 million and with the given time profile of costs and savings, the dispersal breaks even in the financial year 1987–88.

C. 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 1981–82—the year of dispersal—for the departmental resource effect over four different time horizons: 6 years to 1987–88; 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 £21.5 million @ 5% to infinity, to a minimum of −£0.7 million @ 10% after 6 years;

(ii) the largest gross saving results from the rents saved in London and these range from a maximum of £22.0 million @ 5% to infinity, to a minimum of £3.8 million @ 10% after 6 years. *Net* savings in rents range from a maximum of £14.9 million, to a minimum of £2.4 million. The saving in the London weighting ranges from a maximum of £13.2 million to a minimum of £3.1 million. The *net* rates saving

Table 6.2 NPVs @ 7%—Four Time Horizons

	NPV @ 1981–82 @ 7%			
	6 years	30 years	50 yeatrs	Infinity
Costs	£	£	£	£
(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	1,366.42	1,366.42	1,366.42	1,366.42
Detached Duty	533.41	533.41	533.41	533.41
Transfer Payments	1,213.25	1,213.25	1,213.25	1,213.25
(b) *Accommodation*				
Furnishings	556.14	556.14	556.14	556.14
Rents	1,521.90	4,342.73	4,856.41	5,035.41
Rates	1,067.77	2,817.70	3,136.37	3,247.41
PSA (Maintenance and Administration)	451.60	1,020.71	1,124.35	1,160.46
(c) *Communications*				
Extra Telecommunications	359.66	836.32	923.12	953.37
Fares (UK)	427.65	994.41	1,097.62	1,133.59
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 and Staff Deployment*				
Additional Posts	2,096.21	4,933.79	5,450.51	5,630.57
Total Costs	**10,847.98**	**20,618.14**	**22,397.29**	**23,017.27**
Savings				
(a) *Accommodation*				
Rents (London)	4,128.55	13,159.92	14,804.54	15,377.64
Rates (London)	2,479.28	8,091.32	9,113.28	9,469.40
PSA (Maintenance and Administration)	681.28	1,805.65	2,010.40	2,081.74
(b) *Staff*				
London Weighting	3,335.85	8,301.26	9,205.47	9,520.56
Total Savings	**10,624.97**	**31,358.16**	**35,133.68**	**36,449.34**
Net Savings	**−223.01**	**10,740.02**	**12,736.39**	**13,432.07**

ranges from £9.1 million to £1.3 million, while *net* savings in maintenance and administration vary from £1.3 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 £1.9 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, then 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 6 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.

(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.

Table 6.3 NPVs @ 10%—Four Time Horizons

	NPV @ 1981–82 @ 10%			
	6 years	30 years	50 yeatrs	Infinity
Costs	£	£	£	£
(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	1,404.73	1,404.73	1,404.73	1,404.73
Detached Duty	548.36	548.36	548.36	548.36
Transfer Payments	1,213.25	1,213.25	1,213.25	1,213.25
(b) *Accommodation*				
Furnishings	556.14	556.14	556.14	556.14
Rents	1,402.02	3,273.96	3,454.04	3,485.48
Rates	987.87	2,149.14	2,260.86	2,280.36
PSA (Maintenance and Administration)	420.75	798.42	834.75	841.09
(c) *Communications*				
Extra Telecommunications	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 and Staff Deployment*				
Additional Posts	1,945.74	3,828.79	4,009.95	4,041.58
Total Costs	**10,492.39**	**16,975.98**	**17,599.71**	**17,708.61**
Savings				
(a) *Accommodation*				
Rents (London)	3,790.41	9,783.73	10,360.30	10,460.97
Rates (London)	2,270.13	5,994.35	6,352.63	6,415.18
PSA (Maintenance and Administration)	628.94	1,375.08	1,446.86	1,459.39
(b) *Staff*				
London Weighting	3,085.24	6,380.35	6,697.34	6,752.69
Total Savings	**9,774.73**	**23,533.51**	**24,857.13**	**25,088.23**
Net Savings	**−717.66**	**6,557.54**	**7,257.42**	**7,379.62**

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 realised. 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 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 30% change in the 1987–88 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 30 years.

6.16 Table 6.4 presents the results of these simulations. The results are largely as might be expected given the above assumptions. When employment is increased on the assumption of a proportionate rise in mobile

Table 6.4a Simulation of Future Employment Increase

	Job Increase Current Grade Mix 10% @ 1990–91, 2000–01, 2010–11	
	NPV @ 1981–82 @ 5%	NPV @ 1981–82 @ 7%
Costs		
(a) *Initial Dislocation*		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1,340.88	1,366.42
Detached Duty	523.44	533.41
Transfer Payments	1,213.25	1,213.25
(b) *Accommodation*		
Furnishings	556.14	556.14
Rents	5,848.07	4,641.65
Rates	3,755.57	3,003.14
PSA (Maintenance and Administration)	1,329.27	1,081.02
(c) *Communications*		
Extra Telecommunications	1,094.64	886.83
Fares (UK)	1,301.56	1,054.47
Subsistence (UK)	564.43	457.28
Cost of Travel Time	1,068.14	865.36
Abandoned Meetings	88.10	71.38
(d) *Efficiency and Staff Deployment*		
Additional Posts	6,032.44	4,933.81
Total Costs	25,362.11	21,352.80
Savings		
(a) *Accommodation*		
Rents (London)	17,944.86	14,116.96
Rates (London)	11,064.04	8,686.02
PSA (Maintenance and Administration)	2,408.93	1,924.80
(b) *Staff*		
London Weighting	10,980.07	8,827.44
Total Savings	42,397.90	33,555.21
Net Savings	17,035.78	12,202.41

and non-mobile grade, Table 6.4a, the net savings rise from £14.9 million, for the base case of 5% and 30 years, to £17.0 million. At 7% and 30 years, the NPV of the net savings increases from £10.7 million to £12.2 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 £17.2 million at 5% and £12.3 million at 7%. There is a further increase because it is assumed that 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.

Table 6.4b Simulation of Future Employment Increase

	Job Increase Locally Recruited 10% @ 1990–91, 2000–01, 2010–11	
	NPV @ 1981–82 @ 5%	NPV @ 1981–82 @ 7%
Costs		
(a) *Initial Dislocation*		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1,340.88	1,366.42
Detached Duty	523.44	533.41
Transfer Payments	1,213.25	1,213.25
(b) *Accommodation*		
Furnishings	556.14	556.14
Rents	5,848.07	4,641.65
Rates	3,755.57	3,003.14
PSA (Maintenance and Administration)	1,329.27	1,081.02
(c) *Communications*		
Extra Telecommunications	1,094.64	886.83
Fares (UK)	1,214.18	994.41
Subsistence (UK)	526.54	431.23
Cost of Travel Time	996.43	816.07
Abandoned Meetings	82.19	67.31
(d) *Efficiency and Staff Deployment*		
Additional Posts	6,032.44	4,933.81
Total Costs	25,159.21	21,213.34
Savings		
(a) *Accommodation*		
Rents (London)	17,944.86	14,116.96
Rates (London)	11,064.04	8,686.02
PSA (Maintenance and Administration)	2,408.93	1,924.80
(b) *Staff*		
London Weighting	10,980.07	8,827.44
Total Savings	42,397.90	33,555.21
Net Savings	17,238.69	12,341.87

6.18 Finally, Table 6.4c, shows the effects of the decrease in employment. The NPV of the net savings falls to £12.8 million and £9.3 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.
- ⋆ The permanent loss of output due to communications damage and problems of staff deployment.

Table 6.4c Simulation of Future Employment Decrease

	Job Reductions 10% @ 1990–91, 2000–01, 2010–11	
	NPV @ 1981–82 @ 5%	NPV @ 1981–82 @ 7%
Costs		
(a) *Initial Dislocation*		
Additional Staff	561.89	602.75
Writing Manuals	84.28	85.89
Double-banking	1,340.88	1,366.42
Detached Duty	523.44	533.41
Transfer Payments	1,213.25	1,213.25
(b) *Accommodation*		
Furnishings	556.14	556.14
Rents	4,978.24	4,043.81
Rates	3,215.97	2,632.26
PSA (Maintenance and Administration)	1,153.77	960.40
(c) *Communications*		
Extra Telecommunications	947.66	785.81
Fares (UK)	1,126.80	934.36
Subsistence (UK)	488.64	405.19
Cost of Travel Time	924.72	766.79
Abandoned Meetings	76.27	63.25
(d) *Efficiency and Staff Deployment*		
Additional Posts	6,032.44	4,933.81
Total Costs	23,224.40	19,883.54
Savings		
(a) *Accommodation*		
Rents (London)	15,159.96	12,202.89
Rates (London)	9,333.52	7,496.62
PSA (Maintenance and Administration)	2,062.23	1,686.50
(b) *Staff*		
London Weighting	9,448.95	7,775.09
Total Savings	36,004.65	29,161.10
Net Savings	12,780.25	9,277.56

(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 ODA's 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 can be considered by looking at some orders of magnitude. Regarding the temporary output loss, Chapter 3 reported that the 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 1987–88 is £1.4 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 raised 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 expenditures. In these terms, with bilateral aid expenditure at £781.6 million (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 cannot 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 compare 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 1987–88 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 7.8%. For the aid administration expenditure plus superannuation costs, which excludes the Scientific units, and covers the total HQ cost of administering the aid budget, the figures are £31.1 million and 4.6%, respectively.

E. 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 NPV at 1981–82 is positive at £14.9 million. The dispersal breaks even in the financial year 1987–88. 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% and 10% reducing the NPV to £10.7 million and £6.6 million, respectively. 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 balanced 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 £1.4 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 a maximum) 7.8% of the HQ wage bill or 4.6% 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 to 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 is 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 1987–88. 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 1982–83, the first year after dispersal. Cumulative net savings turn positive in 1986–87, 5 years after dispersal. From 1987–88 the annual net saving is £1.5 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.

B. Cost per Job Analysis

7.6 In Chapter 5 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 6 years and 30 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.

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 of which we are aware, which produce cost per job estimates based on an examination of specific policies or programmes, have also produced positive Exchequer costs per net job.

Table 7.1 Time Profile of Exchequer Costs £ '000 at 1987 Prices

	1975–76	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84	1984–85	1985–86	1986–87	1987–88
Costs													
(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	1,277.03	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 (Maintenance and Administration)							83.55	83.55	83.55	75.82	71.80	71.10	74.47
(c) *Communications*													
Extra Telecommunications							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 and 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**	**1,919.54**	**2,281.76**	**1,037.65**	**1,043.39**	**994.83**	**965.56**	**1,206.54**	**1,216.98**
Savings													
(a) *Accommodation*													
Rents (London)							492.31	669.81	683.21	696.61	710.00	723.40	1,181.73
Rates (London)							268.79	379.81	401.24	422.67	444.10	465.55	734.32
PSA (Maintenance and Administration)							89.40	119.64	120.07	120.51	120.94	121.36	147.12
(b) *Staff*													
London Weighting							519.00	540.78	562.57	584.36	606.15	627.94	649.71
Total Savings	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1,369.50**	**1,710.04**	**1,767.09**	**1,824.15**	**1,881.19**	**1,938.25**	**2,712.88**
Net Savings	**−47.42**	**−107.68**	**−107.68**	**−80.21**	**−63.73**	**−1,919.54**	**−912.26**	**672.39**	**723.70**	**829.32**	**915.63**	**731.71**	**1,495.90**
Cumulative Savings	**−47.42**	**−155.10**	**−262.78**	**−342.99**	**−406.71**	**−2,326.25**	**3,238.51**	**−2,566.12**	**−1,842.42**	**−1,013.10**	**−97.48**	**634.24**	**2,130.13**

Table 7.2 NPVs of Exchequer Cost Savings (£ million)

Discount rates	Years			
	6	30	50	Infinity
5%	1.0	16.4	20.7	23.4
7%	0.7	12.1	14.2	14.9
10%	0.1	7.7	8.5	8.6

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

Discount Rates	East Kilbride		Strathclyde	
	Short Run	Long Run	Short Run	Long Run
5%	−4.6	−67.5	−3.0	−43.0
7%	−3.2	−49.8	−2.1	−31.8
10%	−0.5	−31.7	−0.3	−20.2

C. Conclusion

7.9 This chapter has shown that the dispersal has produced significant Exchequer cost savings amounting to a continuing net saving of £1.5 million per year. The savings are greater than those identified in the resource cost anlaysis 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). One hundred and sixty-four 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 14 July. It was agreed that a preliminary draft should be prepared by 27 July. This was circulated to the ODA, MPO, and IDS–MC division and comments were returned on 12 August. These comments were incorporated into a revised questionnaire and further comments were received at the beginning of September. The survey was piloted on seven employees at East Kilbride and their partners in the first 2 weeks of September. Five 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 27 September. The questionnaires were quite substantial. The questionnaire to staff had 70 questions broken down into six sections: the partner's questionnaire had 23 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 9 October. By 14 October, 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.

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 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 = 0.0035, 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

Table A1.4: 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 these respondents were 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.

APPENDIX I

ODA DISPERSAL: QUESTIONNAIRE TO EMPLOYEES AT EAST KILBRIDE

The questionnaire is divided into six 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) If they are over 16 indicate how many are:
(a) In full-time education.
(b) Youth training scheme.

(I) Personal Information (cont'd)

(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.

(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 prevous 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.

(II) Employment (cont'd)

(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

.....

(III) Housing Information (cont'd)

(5) What type of acommodation 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) 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					

(III) Housing Information (cont'd)

(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 .....
.....
.....

(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) .....

(IV) Relocation Costs (cont'd)

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

(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.

(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 and old					
Sports and leisure centres					
Policing					
Libraries					
Other social and 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 and 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.

.....

.....

.....

.....

(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.

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)?
.....

(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.

(I) Personal Information (cont'd)

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 and old					
Sports and leisure centres					
Policing					
Libraries					
Other social and 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 and 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)

(12) 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:

$$X_o = C_m W_m + C_n W_n \quad \ldots\ldots\ldots (1)$$

where C_n represents the Civil Service employment in mobile grades, C_m 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):

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

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

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

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:

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

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 important 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 in migration 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, 1 and b respectively:

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

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

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

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:

$$B_o = C_m\alpha_c + C_n\alpha_c + L_o\alpha_l + B_o\alpha_b \quad \ldots\ldots\ldots (7)$$

where α_c, α_l 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):

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

where:

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

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

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

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 immigrants 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:

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

where w_{cm}, w_{cn}, 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:

$$W_{mo} = z_mC_mw_m + z_n(C_nw_n + L_owl + B_ow_b) \quad \ldots\ldots\ldots (11)$$

$$W_{ro} = (1 - z_m)rC_mw_m + (1 - z_n)r(C_nw_n + L_owl + B_ow_b) \quad \ldots\ldots\ldots (12)$$

$$W_{vo} = (1 - z_m)(1 - r)C_mw_m + (1 - z_n)(1 - r)(C_nw_n + L_owl + B_ow_b) \quad \ldots\ldots\ldots (13)$$

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:

$$P_{bo} = p_bB_o \quad \ldots\ldots\ldots (14)$$

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:

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

where:

$$\psi = \begin{bmatrix} z_m w_m & z_n w_n & z_n w_l & z_n w_b \\ (1-z_m)rw_m & (1-z_n)rw_n & (1-z_n)rw_l & (1-z_n)rw_b \\ (1-z_m)(1-r)w_m & (1-z_n)(1-r)w_n & (1-z_n)(1-r)w_l & (1-z_n)(1-r)w_b \\ 0 & 0 & 0 & p_b \end{bmatrix}$$

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

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:

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

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

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

where k_o is:

$$\begin{bmatrix} (1-c_m)z_m w_m & (1-c_n)\, z_n w_n & (1-1)z_n w_l & (1-b)z_n w_b \\ (1-c_m)(1-z_m)w_m & (1-c_n)(1-z_n)rw_n & (1-1)(1-z_n)rw_l & (1-b)(1-z_n)rw_b \\ (1-c_m)(1-z_m)(1-r)w_m & (1-c_n)(1-z_n)(1-r)w_n & (1-1)(1-z_n)(1-r)w_l & (1-b)(1-z_n)(1-r)w_b \\ 0 & 0 & 0 & h_b p_b \end{bmatrix}$$

$$\text{and } q_o = \begin{bmatrix} \star \\ W_{mo} \\ \star \\ W_{ro} \\ \star \\ W_{vo} \\ \star \\ P_{bo} \end{bmatrix}$$

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:

$$d_o^1 = \Omega q_o \qquad \ldots\ldots\ldots\ldots \quad (18)$$

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

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^1); second, expenditure in the GEAR area by those who work in the area but live outside. Consider each in turn.

Expenditure (X_I^1) which results from the first round disposable income ($^{d}_{0}^{1}$) can be calculated by:

$$X_I^1 = (1-m)Fd_o^1 \qquad \ldots\ldots\ldots\ldots \quad (19)$$

where

$$F = [(1-s_{av})(1-s_{mg})(1-s_{mg})(1-s_{mg})]$$

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_I^2) of those who work in the area but live outstide, can be calculated from the leakage vector h_o in a manner similar to the process by which X_I^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:

$$(1-t_{mv})h_o = d_o^2 \qquad \ldots\ldots\ldots\ldots \quad (20)$$

where 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:

$$X_I^2 = Ad_o^2 \qquad \ldots\ldots\ldots\ldots \quad (21)$$

where $A = [a_1 a_2 a_3 0]$,

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.

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

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}).

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

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

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

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:

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

where

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

u_{fm} and u_{ff} are respectively 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_l 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:

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

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:

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

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, also embodies the implicit assumption that all part-time service employees were not previously registered as unemployed.

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

where $h_1 = k_1 e_1$,

$$k_1 = \begin{bmatrix} (1-u_{fm}) z_n w_{fm} & (1-u_{ff}) z_n w_{ff} & 0 & (1-l) z_n w_1 & (1-z_n) z_n w_b \\ (1-u_{fm})(1-z_n) r w_{fm} & (1-u_{ff})(1-z_n) r w_{ff} & 0 & (1-l)(1-z_n) r w_1 & (1-z_n)(1-z_n) r w_b \\ (1-u_{fm})(1-z_n)(1-r) w_{fm} & (1-u_{ff})(1-z_n)(1-r) w_{ff} & w_{pf} & (1-l)(1-z_n)(1-r) w_1 & (1-z_n)(1-z_n)(1-r) w_b \\ h_u p_{fm} & h_u p_{ff} & h_u & 0 & h_b P_b \\ & & p_{pr} & & \end{bmatrix},$$

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

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

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

and:

$$d_1^1 = \Omega q_1 \qquad \ldots\ldots\ldots (31)$$

Third round expenditure (X_2) comprises expenditure (X_2^1) which results from second round disposable income (d_1), and expenditure (X_2^2) in the East Kilbride area by those who work there but live outside. As with the first round equations:

$$X_2^1 = (1-m) F d_1^1 \qquad \ldots\ldots\ldots (32)$$

$$d_1^2 = (1-t_{av}) h_1 \qquad \ldots\ldots\ldots (33)$$

$$X_2^2 = A d_1^2 \qquad \ldots\ldots\ldots (34)$$

and:

$$X_2 = X_2^1 + X_2^2 \qquad \ldots\ldots\ldots (35)$$

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:

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

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

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

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

where:

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

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_l 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, 1, u_{fm}, u_{ff} will rise. There will also be a fall in the proportion of profits flowing outwith the region: h_b and h_u.

(c) *Import Propensity*

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

Parameter 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_{av}	.06
		1	.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_{av}	.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_i 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_{pf} 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 percentage would the number of formal meetings increase if the time spent travelling was reduced by:

Reduction %	Increased meetings %
25%	
50%	
75%	

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

(vi) 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 Government departments and agencies outwith the Civil Service, affect the efficiency of your department? 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 department been greater or less than other departments 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) Have there been any other communications 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) Has it been necessary to employ more staff due to the ODA being split between two locations? and/or

(b) Did the initial requirement that the ODA provide a specific number of posts at East Kilbride lead 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 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 department to have been better or worse than if the department had remained in London?

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

(v) Was the turnover of staff employed in locally recruited grades in your department 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 department?

(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 department? 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 department in East Kilbride?

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

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) 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 department?

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

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 Abercrombie affected the efficiency of your 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 department?

(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 department?

(x) Do you use digital communications 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 telecommunications 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 communications difficulties caused by the move to the new location?

3. GENERAL

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

EAST KILBRIDE INTERVIEWS

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?

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

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

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

Reduction %	Increased meetings %
25%	
50%	
75%	

(viii) 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?

(iii) 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?

(vii) 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 Twenty-two 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 five came from London or Greater London and eight 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 five London movers, three found paid employment in both locations, but on average suffered a six 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 achieve 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 eight 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 four respondents who were employed in both locations was nine 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 Weekend Average Travel-to-Work Time in East Kilbride Compared with those of Respondent's Previous Location

Previous Location	Commuting Costs		Journey Time	
	London and Greater London £	Elsewhere £	London and Greater London mins	Elsewhere 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 five possible responses, much better, better, the same, worse and much

worse. These were allocated scores of one for much better through to five for much worse. On this basis, an average score of less than three 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 and Greater 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 one through to much less which had a score of five. 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 and Greater 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 A4.4: Evaluation of the Quality of Life in General in East Kilbride as Compared with Respondents Previous Location

Previous location	London and Greater London	Elsewhere
Evaluation		
Much Better	2	1
Better	2	2
Same	1	4

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RELOCATE IN SCOTLAND.

Make Government dispersal work.



Scotland is a distinctive but integral part of the United Kingdom. Though it has its own history, institutions and culture, it has much in common with its southern neighbours. Its people are welcoming to those who settle among them. They



create wealth and also have high regard for public service. Scotland's workforce is progressive, capable and hard-working. Its education system is responsive to employers' requirements and to the demands of new technology. Its communications



are competitive and efficient. It offers a cost-effective business environment in which quality of life and quality of work are interwoven. Its physical environment provides space to breathe and relax. This environment is attracting more and more businesses from London and the South-



East. The efficiency gains they are making are available to your Department. Relocate in Scotland and make dispersal work.

Hundreds of international companies have come to Scotland and never looked back. They came, and continue to come, to have access to a skilled and motivated workforce, for the ready availability of property and sites, and to benefit from excellent communication links and a nationwide familiarity with new technology. They found the right environment for cost efficiency and productivity in which hard work could be balanced by a wide choice of leisure activity. This environment allows business to prosper. It can be shared by Government departments from London and the South-East.

WHY SCOTLAND?

Workforce

The quality and quantity of Scotland's labour resource are second to none. This is true in both the private sector and the public service. In the civil service it applies to clerical grades and to the more specialist functions. Educational standards are high and are reflected in the qualifications of the capable staff in civil service posts in Scotland and in the school leaver statistics.

Property

There is a wide and attractive range of modern office accommodation at highly competitive rates.

Communications

Scotland provides an excellent operational base no matter where a department's major contact points are. Access to Europe, London and the rest of the UK is easy, fast and effective. Data communications systems, among the most advanced in the world, are readily available. Scottish-based departments have no difficulty in conducting day-to-day business within the UK Government framework. The Scottish Office, with its investment in word processing and advanced business communication technology, is a model of how to operate effectively and efficiently within Whitehall from a "regional" headquarters base.

Advantages for staff

Key staff moving to Scotland from Whitehall can expect:

– a marked improvement in their quality of life;

– easier commuting;

– an upgrade in housing;

– ready access to first class sporting, recreational and cultural activities;

– excellent educational opportunities for their families;

– inclusion in an established civil service community which plays an important part in Scottish life.

Help when you need it

A full range of practical and other assistance is available from bodies such as the Scottish Development Agency, local authorities, the Scottish Office and other Government departments in Scotland. This assistance is designed to ease decision-making and implementation of the relocation decision. "After-care" is more than a slogan.

As life in Scotland may be unfamiliar to staff and their families, Locate in Scotland, the joint Scottish Office-Scottish Development Agency venture responsible for attracting inward investment to Scotland, provides familiarisation packages designed to inform and persuade key staff of the benefits of a Scottish location.

Mrs Myra Chapman, Head of Administration, Civil Service Occupational Health Service, endorses Scotland's practical advantages:

"We are delighted by the welcome we have received in Edinburgh and the support provided by the Scottish Office. It has been extremely helpful both in providing information and advice and in the thoroughly practical way of lending us staff. Our Administration Division is supported by 6 splendid staff on loan from the Scottish Office."

Scotland's Advantages:

- Excellent labour supply
- Excellent quality of labour
- Wide range of sites and buildings
- Property advice
- Cost-effective accommodation
- Excellent physical infrastructure
- Advanced voice and data communications
- First class road, rail and air communications
- Established civil service community
- An experienced team of "insiders" to assist in the implementation of your relocation
- Experience of successful previous relocations on which to draw

Key staff and their families can benefit from:

- A better quality of life
- Substantially reduced commuting times
- An improvement in housing
- A more broadly based school curriculum
- Outdoor pursuits in attractive surroundings
- Access to sporting and cultural activities at prices they can afford

For further information contact:

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Locate in Scotland
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G2 7JP
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Fax: 041-221 5129

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Dover House
Whitehall
LONDON
SW1A 2AU
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Fax: 01-270 6719

GDD/LIS/7.89/AP/1



Scottish Office, New St Andrew's House, Edinburgh.



Scottish Office, St Andrew's House, Edinburgh.



Scottish Office, Dover House, London.

The **Rt Hon Malcolm Rifkind QC, MP,** the Secretary of State for Scotland.

"Speaking as a Cabinet Minister who has only a branch office in London, has his Head Office 370 miles away, and whose Department has managed its affairs satisfactorily in this manner for over 50 years, I am in a pretty good position to advocate the practicality as well as the desirability of the decentralisation of Government administration."



Scotland is an integral part of the United Kingdom and its inhabitants find no difficulty in combining their pride in Scotland with a sense of community within Britain. It is a country within a country. It has its own capital, Edinburgh, a truly international business and cultural centre. Glasgow, enjoying a major renaissance, is its commercial and artistic centre, home to the Garden Festival in 1988 and designated European City of Culture in 1990.

Scotland has its own legal and educational systems, and has strong representation of the major professions. Only the London area absorbs a higher concentration of graduates. Its financial sector is the largest in Europe outside London.

Education

There is wide choice in schooling. Ninety-seven percent of children go to their local education authority school. There are also about a hundred private, fee paying schools, either day or boarding. There are special schools for children with learning difficulties, for children who have exceptional talents, and for children from overseas.

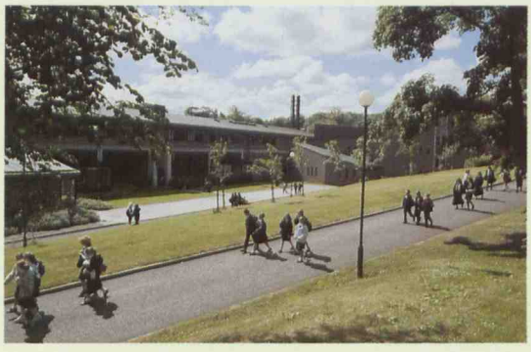
At primary level the school curriculum is similar to that in England, but in the later years of secondary education it is more broadly based. Entrance to higher education is by the Scottish "Higher" which can be gained at 17 and is usually based on a wider range of subjects than the A level syllabus.

Scottish universities and colleges offer courses which reflect the traditional emphasis on a broad education – an emphasis sought after by employers throughout the UK – as well as specialist study. The schools, colleges and the universities meet the learning needs of all interests.

Health care

Scotland is well supplied with doctors, dentists, hospitals and other health services. The quality of service is good, and there are numerous internationally recognised centres

Scotland offers a first class standard of education through primary, secondary, university, college and professional learning. A number of its universities are leaders in specific scientific or technological disciplines.



School leavers

Scotland has the best pupil/teacher ratio in the UK and produces around 80,000 school leavers each year, over 80% of whom gain qualifications. These qualifications are Standard, Ordinary and Higher grades, which differ from those 'O' and 'A' levels undertaken in England and Wales. 'A' level courses are, however, available for pupils moving from England and Wales.

In 1987 over 37,500 school leavers held Ordinary Grade awards at least and over 17,200 gained 3 or more Higher Grade awards. University entrance is based on Higher Grade awards (or 'A' levels where an 'A' level course is pursued).

Scottish school leavers are familiar with computers and demonstrate a high level of keyboard skills and computer literacy.

Approximately one-half of all secondary students in Scotland stay on at school after the minimum school leaving age of 16. During this time, they can study for university and further education qualifications.

The educational base, both in school and further education, is generally broader in Scotland than elsewhere in the UK. Pupils will take 4 or 5 subjects, across Arts and Sciences to Higher Grade stage. Higher examinations are generally taken at age 17, with the opportunity to gain further qualifications at 18 (in the sixth or last year of Scottish secondary schooling).



Further and higher education

Scotland has 8 universities, 12 advanced colleges offering degree courses, 5 teacher training colleges and over 50 colleges offering non-advanced further education. Scotland produces more graduates per head of population than any other Western European nation and 13.1% of all UK graduates, although its population is less than 10% of the UK total. Over 20% of Scottish 17 and 18 year old school leavers enter higher education compared with 15% in England.



There is a strong emphasis on vocational training, particularly in the advanced colleges and on subjects with a scientific and technological content. Glasgow University, for example, has over 700 students registered in computer software-related subjects, while Strathclyde University, also in Glasgow, has about 400 students studying the same discipline.

UNIVERSITIES AND COLLEGES IN SCOTLAND



Highland
Inverness College of Further Education
Thurso Technical College

Western Isle Islands Council
Lews Castle College

Strathclyde
■ University of Glasgow
■ University of Strathclyde
▲ Glasgow College of Technology
▲ Glasgow School of Art
▲ Paisley College of Technology
▲ The Queen's College
▲ Royal Scottish Academy of Music and Drama
West of Scotland Agricultural College
Anniesland College
Ayr College
Barmulloch College
Bell College of Technology
Cambuslang College
Cardonald College
Central College of Commerce
Clydebank College
Coatbridge Technical College
● Craigie College of Education
Cumbernauld College
▲ Glasgow College of Building and Printing
Glasgow College of Food Technology
Glasgow College of Nautical Studies
James Watt College
● Jordanhill College of Education
Kilmarnock College
Langside College
Motherwell College
Reid Kerr College
● St. Andrew's College of Education
Springburn College
Stow College

Dumfries and Galloway
Barony Agricultural College
Dumfries and Galloway College of Technology

■ Universities
▲ Colleges offering degree courses
● Colleges of Education

Borders
▲ Scottish College of Textiles
The Borders College of Further Education

Orkney Islands Council
Kirkwall Further Education Centre
Stromness Academy Further Education Centre

Shetland Islands Council
Shetland College of Further Education

Grampian
■ University of Aberdeen
North of Scotland College of Agriculture
▲ Robert Gordon's Institute of Technology
● Northern College of Education
Aberdeen College of Commerce
Aberdeen Technical College
Banff and Buchan College of Further Education
Clinterty Agricultural College
Moray College of Further Education

Tayside
■ University of Dundee
▲ Duncan of Jordanstone College of Art
▲ Dundee College of Technology
Angus Technical College
Dundee College of Further Education
● Northern College of Education
Perth College of Further Education

Central
■ University of Stirling
Clackmannan College of Further Education
Falkirk College of Technology

Fife
■ University of St. Andrews
Elmwood Agricultural and Technical College
Glenrothes and Buckhaven Technical College
▲ Kirkcaldy College of Technology
Lauder Technical College

Lothian
■ University of Edinburgh
■ Heriot Watt University
East of Scotland College of Agriculture
▲ Edinburgh College of Art
▲ Napier College of Commerce and Technology
▲ Queen Margaret College
Jewel and Esk Valley College
● Moray House College of Education
Oatridge Agricultural College
Stevenson College of Further Education
Telford College of Further Education
West Lothian College of Further Education




Forestry Commission, Edinburgh

Scotland can meet a variety of property needs ranging from traditional office space to customised buildings. Glasgow, Aberdeen, Dundee and Edinburgh have a wide range of traditional buildings – offering fine architectural detail as well as excellent accommodation. Many of these older buildings have been refurbished to meet today's high standards and requirements for flexibility.

Accommodation is not limited to older, refurbished space. Modern offices designed specifically for organisations with heavy computer use, for example, or for large scale accommodation are also available. Water-front developments and city centre building and refurbishment initiatives are taking place extensively in Scotland.

Glasgow currently leads the property investment field in the UK outside London with around £1 billion of private investment being committed to projects in the city centre. Edinburgh is actively expanding its property portfolio with over one million square feet under construction and some 2.8 million square feet with planning consent. There is no shortage of private developers to which a relocating department may turn, where new property is required.

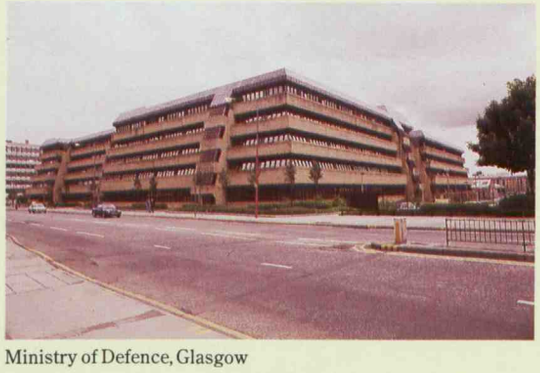
Variety of site options

The major cities are not the only option. A range of sites exists in other parts of Scotland to meet the needs of office-based organisations. These include "brownfield" sites in urban centres which have been cleared for development, with good public transport and the ability to draw staff from a large area. "Greenfield" sites are also available. Many have large surrounding populations from which to draw staff, and they usually have space for expansion and car parking. Scottish planning authorities will respond to the demands of Government relocation and have a strong commitment to facilitating new office developments should these be required.

Costs

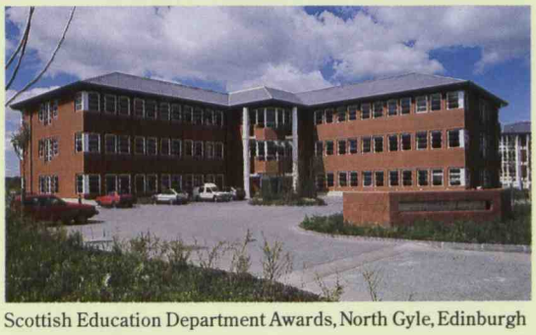
The following recent figures for sample office accommodation are a rough guide to Scottish office property costs:

Location	Approximate Cost Per Sq Ft (£)
London	85.00
Edinburgh (city centre)	15.00-18.00
(peripheral)	8.00-12.00
Glasgow	5.00-12.00
Aberdeen	8.00-10.00
Dundee	4.00- 9.00
New Towns – Cumbernauld, – East Kilbride, – Glenrothes, – Irvine, – Livingston	6.00-10.00
Perth	6.00
Falkirk	7.00
Stirling	7.00
Inverness	6.00- 8.00


Ministry of Defence, Glasgow

Most people outside Scotland are familiar with the cities of Glasgow and Edinburgh and the attractions each has to offer. But those two cities are not the only locations in Scotland to offer advantages to a relocating department. There are other options.

Aberdeen (population 330,000) and Dundee (population 176,000) in the Grampian and Tayside regions are major centres with a fully developed business and administrative infrastructure, and comprehensive service and communications networks. Further north, but less than 1½ hours by air from London, Inverness serves as a focus in the Highland Region. Elsewhere in the region there are unexpected supplies



Scottish Education Department Awards, North Gyle, Edinburgh

of quality labour and other advantages well-known to employers such as Norfrost in Caithness, and of course to the UK Atomic Energy Authority and Rolls Royce at Dounreay (Thurso).

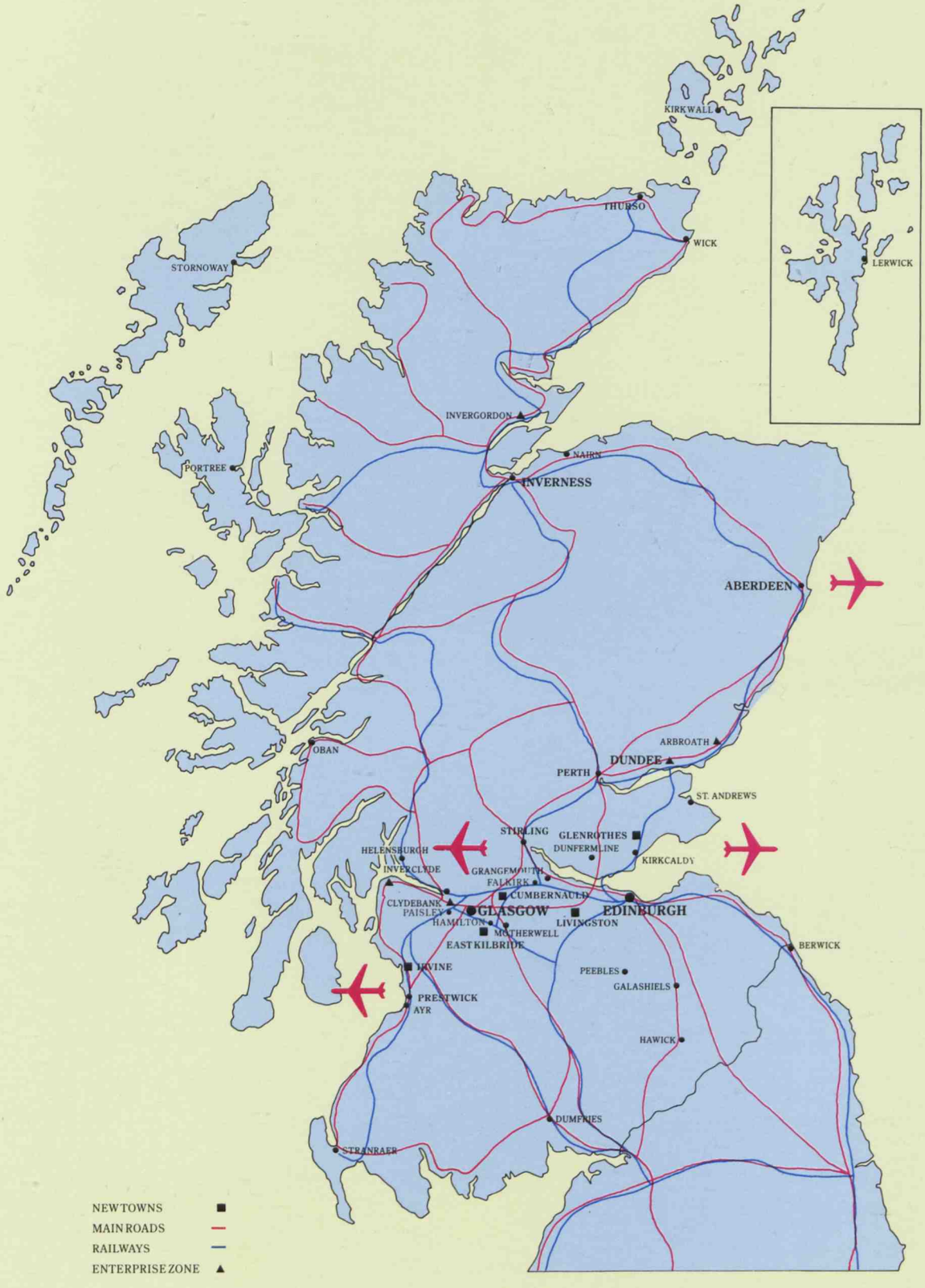
Further south, Perth and Stirling combine business and commercial activity with an attractive semi-rural setting, while within the



Inland Revenue, Pentland House, Livingston

Central Belt, Dunfermline, Falkirk, Hamilton, Paisley and other towns offer the same advantages as the cities in terms of labour supply and communication links both within Scotland and beyond. The New Towns of East Kilbride, Irvine, Cumbernauld, Glenrothes and Livingston also offer highly attractive and easily accessible locations with quality accommodation and growing working populations.

The advantages outlined in this document – quality accommodation, a well educated workforce, good communications and excellent quality of life – are widely available. Scotland as an operational base has a wealth of locations which will suit every department, and the agencies charged with the attraction of businesses of all kinds guarantee total commitment to finding the most suitable site for any Government department which is interested.


KIRKWALL
THURSO
WICK
LERWICK
STORNOWAY
INVERGORDON
NAIRN
PORTREE
INVERNESS
ABERDEEN
ARBROATH
OBAN
DUNDEE
PERTH
ST. ANDREWS
STIRLING
GLENROTHES
DUNFERMLINE
KIRKCALDY
HELENSBURGH
INVERCLYDE
GRANGEMOUTH
FALKIRK
CUMBERNAULD
CLYDEBANK
PAISLEY
GLASGOW
EDINBURGH
HAMILTON
LIVINGSTON
MOTHERWELL
EAST KILBRIDE
BERWICK
IRVINE
PEEBLES
GALASHIELS
PRESTWICK
AYR
HAWICK
DUMFRIES
STRANRAER
NEW TOWNS
MAIN ROADS
RAILWAYS
ENTERPRISE ZONE



There is a wide variety of quality housing available in Scotland, from traditional stone-built town and country houses, sandstone tenement flats to modern estates and town apartments. All housing needs can be met within easy commuting distance of the Central Belt and any major town or city in Scotland.

Stone is the traditional building material; houses are solid and well-built. Yellow and red sandstone dominates in the old properties in the West while the North-East of Scotland features granite in both urban and rural properties. New housing is similar to that to be found elsewhere in the UK in terms of materials, design and appearance.

Buying a house in Scotland is different from the rest of the UK. The methods of finding a property are generally perceived as simpler and faster. Advice is readily available from solicitors, estate agents, banks and building societies.

Information on properties which are on the market, is available from press advertising (the most important source), estate agents, and solicitors. Solicitors' property centres in major towns and cities contain comprehensive information on property for sale.

Many companies and organisations relocating staff and families turn to specialists in this field for help and advice. One major UK building society is willing to offer a special assistance package to incoming organisations which includes special mortgage and survey arrangements and assistance in retaining English-based property at base rate.

Costs

Housing costs compare very favourably with other parts of the UK, and in particular with the South-East. The Halifax Building Society, in their quarterly review of the UK

housing scene, state that Scottish house prices are nearly 30% below the UK average, as shown below:

	Scotland £	Greater London £	South East £	UK Average £
Terraced Houses	34,770	98,150	71,720	45,971
Semi-Detached Houses	43,543	122,852	91,423	57,405
Detached Houses	63,294	220,699	170,107	105,216
Bungalows	50,919	112,523	108,490	63,758
Flats & Maisonettes	31,340	81,312	58,058	56,093
Average Property Price	42,696	97,049	89,386	60,180

Source: Halifax Building Society: House Price Index, 1st Quarter, 1989

Transitional assistance

The New Towns in Scotland are often able to give priority to the provision of housing for key workers – a particularly important factor in relocating staff from an existing base. This may be useful in implementing a dispersal option, in that it can enable staff to settle temporarily in an area before making firm accommodation arrangements.



In any relocation decision the question of access to good quality employees in sufficient quantities is crucial. Departments who choose Scotland as a base can be assured an excellent supply of well-qualified personnel. With unemployment high in UK terms, there is within Scotland a large pool of labour to draw on. With school leavers and graduates joining the workforce each year, there is no shortage of people available and willing to work.

Low staff turnover

Scotland offers a loyal, productive and cost-effective workforce. Labour cost savings are continuous and demonstrable in terms of low employment, recruitment and training, as a direct result of low staff turnover levels and a high standard of education.

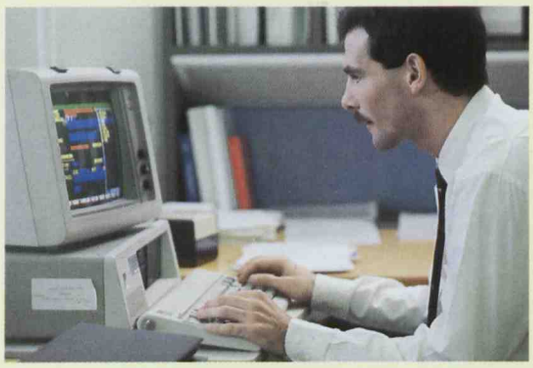
Civil service wastage rates in London and the South-East are high and, coupled with skill shortages, cause major recruitment and staffing problems for many departments. Staff resignation rates for Scotland, across all non-industrial civil service grades, are the lowest of any UK region, excluding Northern Ireland.

Existing civil service community

The civil service community in Scotland is large (more than 56,000). The Scottish Office alone has around 6,500 staff (there are also substantial numbers in associated departments: the General Register Office, Scottish Record Office, the Scottish Courts Administration and the Department of the Registers of Scotland). The Secretary of State is also responsible for the Scottish Prison Service, administered by the Scottish Office, which employs a further 3,760 staff. Career development prospects, therefore, exist for staff relocating to Scotland, or for those recruited within Scotland.

The Scottish Office can offer advice and where appropriate, assistance to relocating departments on issues such as recruitment, training, quality of personnel, career development opportunities and the dispersal experiences of other departments, which the Scottish Office monitors.

Direct help has already been given through the loan of experienced staff to assist departments in the initial stages of dispersal. There is also scope for establishing more formal links with the Scottish Office in terms of career development posting.



The experience of civil service recruiters in Scotland clearly illustrates the quality and availability of staff:

"From one advert in the local press we received 1,400 applications. We appointed 334 'limited period employments'. Our minimum requirements were 2 'O' grades for Administrative Assistants and 5 'O' grades for Administrative Officers. There was no shortage of suitable qualified applicants."

Mr Derek Feeley, Transitional Payments Department, Department of Social Security.

"There is a great demand for clerical jobs in Glasgow. We have had no problems in any campaign for basic grade clerical staff here. About 4 months ago we distributed around 400 job application forms to Glasgow's 3 main Job Centres and they were all taken within half and hour. We interviewed between 100 and 120 with a view to taking on around 40 staff (60 were kept on the reserve list)."

Mr Newton, Ministry of Defence.

"From the applications we have received there is undoubtedly a large high quality workforce in the Glasgow area. We are currently recruiting 25 Administrative Assistants and 25 Administrative Officers and we have had between 400 and 500 applications for each set of posts. We do not advertise in the press and have only used one Job Centre to distribute application forms. We don't employ exclusively unemployed school leavers, but we do like to employ a sizeable proportion from that category. We have had no problems at all in recruiting staff – in fact the standard of qualifications we are attracting in our current recruitment drive is very high with most applicants having more than the minimum qualifications required."

Mr Gordon Rogers, Administration Officer, Passport Office.

"The comparative ease with which the Board was able to recruit for the Glasgow office was in refreshing contrast to the position in London."

Criminal Injuries Compensation Board, Accounts for the year ended 31 March 1988.

Labour availability in Scotland is not restricted to administrative functions. There is a large pool of specialist skills, particularly in the scientific/computing area, which reflects developments in the school curriculum and further education, and a national orientation towards technology.



There are many successful examples of organisations, in both the private and public sectors, relocating to Scotland from other parts of the UK, particularly London and the South-East.

Overseas Development Administration

In the public sector one of the most widely-known relocations was that undertaken by the Overseas Development Administration (ODA) in 1981. The ODA relocated over 400 of its staff posts to East Kilbride, 9 miles to the south of Glasgow.



Criminal Injuries Compensation Board, Blythswood House, Glasgow

An independent evaluation undertaken by the University of Strathclyde in 1988 found that the ODA staff at East Kilbride overwhelmingly preferred their new location at East Kilbride to London; they took the opportunity to improve their housing (due to lower costs and the opportunity to trade up); that commuting costs and times were reduced; and that there was a qualitative difference in the environment and services to be found locally.

The survey also recorded the department's satisfaction with the quality of staff recruited locally.

Criminal Injuries Compensation Board

In 1987 some of the functions of the Criminal Injuries Compensation Board (CICB) moved to Glasgow as a result of staffing and workload issues which the CICB was experiencing in London. In its city centre location, the office deals with all Scottish claims and assists the London office of the CICB to process its backlog of cases. So successful was the move that early in 1989 the Board decided to almost double the staff in Glasgow, taking the total complement to almost 200.

Office of Population Censuses and Surveys

A more recent decision by the Office of Population Censuses and Surveys (OPCS), involving the creation of 2,000 temporary clerical posts for the 1991 Census, is interesting confirmation of both the advantages which Scotland can offer to a Government department and the co-operation and welcome which can be provided by the relevant Scottish bodies.

It is significant that Glasgow was chosen as the site for the offices for the 1991 Census of England and Wales (the Scottish Census is always undertaken separately by the General Register Office (Scotland)). In this most



Passport Office, Northgate, Glasgow



Overseas Development Administration, East Kilbride

unusual move it was recognised that the processing requirements of the Census could not be met at the OPCS headquarters in the South of England and OPCS were subsequently persuaded to examine the case for a site outside England and Wales. The Glasgow bid for this development involved many bodies within Scotland, including Glasgow Action, Glasgow District and Renfrew District Councils, Strathclyde Regional Council as well as the Scottish Development Agency.

Their success has led to the creation of 2,000 data processing jobs for a 2 year period. The project had unusually large space requirements – which has led to the imaginative refurbishment of 160,000 sq ft in a former Rolls-Royce factory at Hillington, just outside Glasgow.

Private sector relocations

Recent examples of private sector organisations who have located in Scotland from the South-East of England include:

BP	(Glasgow)
Crusader Insurance	(Inverclyde)
SKY Television	(Livingston)
Direct Line Insurance	(Glasgow)
The Body Shop (International)	(Glasgow)
Bank of Scotland Visa	(Dunfermline)
British Telecom	(Glasgow)



Scotland is closer to your traditional area of operation than you may think, and access is easy.

Air

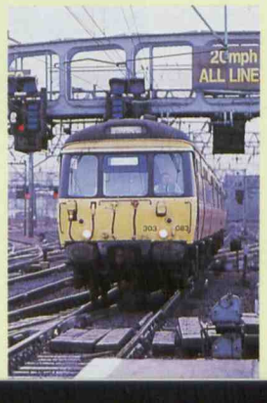
Four international airports serve Scotland at Glasgow, Edinburgh, Aberdeen and Prestwick. Glasgow, Edinburgh and Aberdeen offer a wide range of scheduled flights to many European destinations. Glasgow and Edinburgh airports (only 45 minutes drive apart) link London with Scotland in just over one hour's flying time with over 50 flights per day. Prestwick provides direct access to North America, with scheduled flights to Boston, Halifax, New York and Toronto and charter traffic to east and west coast America, Canada and to Florida. There are a number of smaller airports which serve the domestic market including Dundee, Wick and Inverness airports. There are 10 daily flights between Inverness and London with a flying time of less than 1½ hours.

Scheduled flights per week to the major hub airports of Western Europe.

	London (Heathrow & Gatwick)	Amsterdam	Paris	Brussels
Glasgow & Edinburgh	332	35	28	31
Newcastle	60	23	5	11
Manchester	99	40	23	18
Leeds	51	22	12	–
Liverpool	32	–	–	–
Cardiff	–	17	–	–
Sheffield (East Midlands)	33	17	6	–

Rail

Rail links to the rest of the UK and to London and the South-East in particular are also very good. Trains for London leave from Edinburgh on an hourly basis and every two hours from Glasgow. Travel times are short – currently less than 5 hours for Edinburgh to London with electrification due to reduce



this to under 4 hours by 1991. Most locations in the Central Belt are within easy reach of mainline train stations, and Glasgow is well served by a suburban and underground network. Overnight sleeper services – are available to London from Inverness, Perth, Aberdeen, Dundee, Stirling, Edinburgh and Glasgow and are popular with businessmen and civil servants. Arrival times are scheduled to allow travellers a relaxed start to a full business day at their destination.

Glasgow and Edinburgh city centres are linked by a fast inter-city service, with trains leaving on the hour and at half-hourly intervals throughout the day. The service will be increased to four per hour from late 1989.

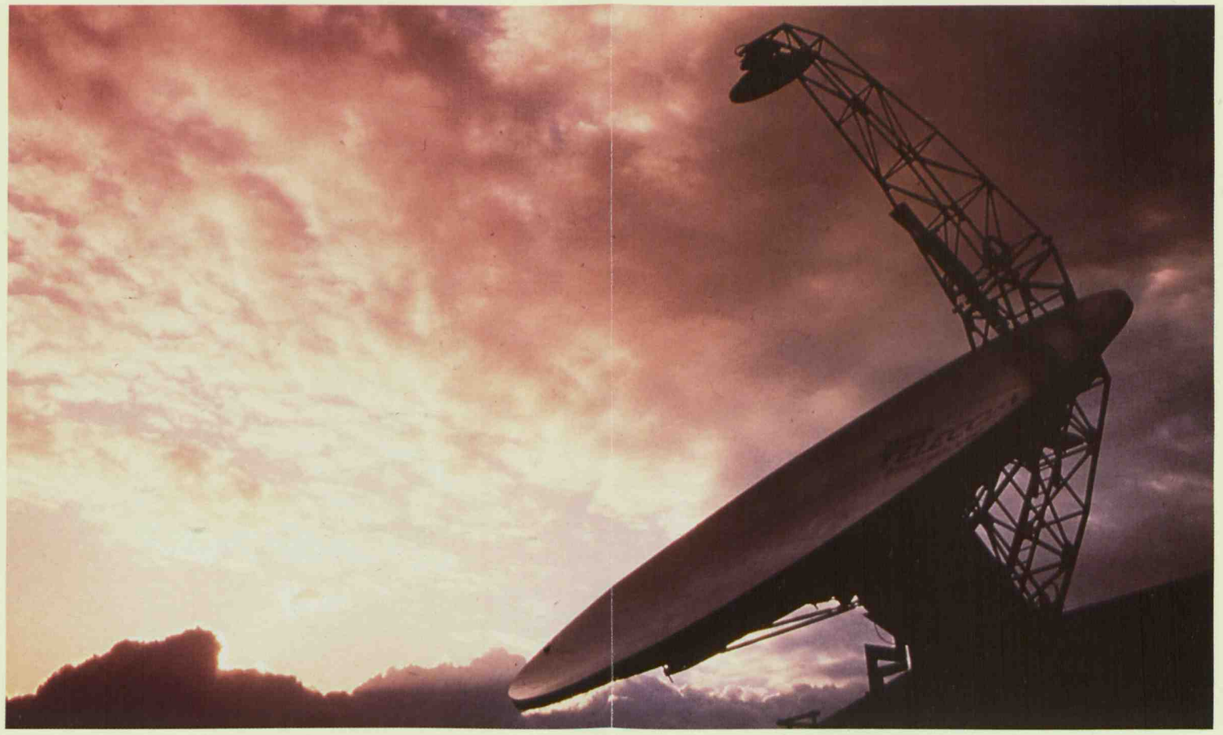
Road

Scotland has a modern and comprehensive road network with traffic densities considerably lower than in most parts of the UK. Links with London are by the M6/M1 in the west and the A1/A1(M) in the east. Commuting in Scotland is not afflicted with the tensions, overcrowding and delays which are the hallmark of London and the South-East.

Data communication

Scotland's Government departments enjoy one of the most cost-effective and advanced communications environments in the world. Telecommunications services include teleconferencing, computer data links with the UK and overseas, radio phone networks and facsimile, as well as direct dialling to 173 countries and telex links to





195 countries. There is of course also access to the GTN.

The Edinburgh-London-Glasgow Information Network (ELGIN) employed by the Scottish Office, is an excellent example of efficient and secure data communication. The ELGIN system, a network of communicating IBM PCs, allows fast, easy and flexible writing, editing and transmission of material across these 3 centres.

Scottish Office Ministerial briefing and Parliamentary work have benefited greatly from the speed, accuracy and security of the ELGIN system with easy communication between civil servants in Edinburgh and their colleagues in the Private Offices of Ministers in Dover House. It facilitates a rapid response to the complete range of Parliamentary requirements when the House is in session. Private Notice Questions and emergency debates, for example, are dealt with more effectively and comprehensively than before with shorter response times than in many Whitehall departments. The system also allows the distribution of word processing work to those areas where secretarial capacity is available, thus improving turn-round times.

The more traditional overnight bag service also operates between Scottish-based Government departments and London. This internal service is augmented by 6 day door-to-door delivery of mail within the UK, as well as an excellent support network of express and security services to UK,





European and worldwide destinations.

The ability to operate a head office in Scotland and branch office in London has been consistently demonstrated by the Scottish Office over several decades. Developments in electronic communications have reduced the need for personal attendance at meetings, has speeded up information transfer and has contributed significant efficiency gains.

Scotland is only a phone call or screen away, and the reliability of its communications systems is recognised by the many overseas companies which have located here. Your Department need have no concern that Scotland is remote.

CCBS

N-BPM
PRC6
26/4

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State
Department of Health & Social Security
Richmond House
79 Whitehall
LONDON SW1A 2NS

26 April 1988

Dear John.

LOCATION OF GOVERNMENT WORK

at Flup Pt 3

My minute of 15 March to the Prime Minister attached guidelines on our new policy for the location of Government work. Amongst other things the guidelines asked departments to report during the forthcoming Survey on their intentions for scrutinising locations.

2. With Malcolm Rifkind's agreement, I attach the Executive Summary of a report (recently submitted to him and Chris Patten) evaluating the dispersal of part of the Overseas Development Administration from central London to East Kilbride in 1981. I hope this will be of interest to you and to colleagues in charge of departments as you undertake your relocation reviews.

3. You will note that the most significant savings in this exercise were in accommodation costs (£20 million), and that the £11 million savings in London Weighting more than offset the £6 million for the extra staff needed to operate the department in two locations. The substantial net benefits to the department, the local economy and the Exchequer suggest that the choice of what to disperse was a good one. It also shows that there were evident benefits for the staff dispersed, and this may prove helpful in overcoming the natural apprehension of those who face relocation in future. I hope that you and colleagues will find this positive example helpful in putting our new guidelines into effect.

4. I am sending copies of this letter and its enclosure to Members of the Cabinet, Richard Luce, Patrick Mayhew and Chris Patten, and to Sir Robin Butler.

Yours ever

Peter

PETER BROOKE

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

Executive Summary

Brian Ashcroft
Darryl Holden
Jane Smith
Kim Swales

March 1988

1. This 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.

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.

'fects 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.

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

-tment 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.

CIVIL SERVICE: Disposal
Pt 4

CCR4

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON SW1A 2AU

MBPM

PARC 6
13/4

13 April 1988

Dear Malcolm.

LOCATION OF GOVERNMENT WORK

Prop. PT3

I was pleased to receive your letter of ~~25~~ March enclosing your evaluation report on the dispersal to East Kilbride in 1981 of part of the Overseas Development Administration. It is good to have this thorough piece of work with its very positive conclusions.

2. As you say, the most significant savings were in accommodation costs (£20 million), whilst the £11 million savings in London Weighting more than offset the £6 million for extra staff needed to operate the department in two locations. The substantial net benefits to the department, the local economy and the Exchequer suggest that the choice of what to disperse was a good one, and I was interested to note your comment that the NPV remains highly positive even under less favourable assumptions.

3. The report also shows that there were evident benefits for the staff dispersed. This should be helpful in overcoming the natural apprehension of those who face relocation in future.

4. It occurs to me that the Executive Summary of your report might be of considerable interest to colleagues now undertaking their relocation reviews. If you agree, I would be happy to draw it to their attention in support of our new guidance.

5. I am copying this letter 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

Peter

PETER BROOKE

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 April 1988

Dear David,

LOCATION OF GOVERNMENT WORK: GUIDELINES FOR THE 1988 EXPENDITURE SURVEY

The Prime Minister was grateful for your Secretary of State's minute of 28 March. She does not however agree that it would be appropriate to establish a special unit to stimulate relocation, and considers the programme should proceed on the basis set out in the Paymaster General's minute of 15 March.

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 Admin.) and to Trevor Woolley (Cabinet Office).

Yours,

Paul

Paul Gray

David Crawley, Esq.,
Scottish Office.

CONFIDENTIAL

PART 3 ends:-

PA to PM. 30.3.88

PART 4 begins:-

PA to SCOTTISH OFF. 5.4.88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