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Ref. A053

PRIME MINISTER

Review of the Dispersal Programme

(Lord President's minute of 25th July)

BACKGROUND

— E Committee on Tuesday agreed -

- (i) That the five dispersals described in Option 1 of the Lord President's paper E(79) 26 should go ahead.
- (ii) That there should be a significant dispersal to Scotland, which they interpreted as meaning that at least 2,000 posts should go there.
- (iii) That up to 2,300 posts should be dispersed to Bootle if Departments could be found who were willing to volunteer (250 jobs for Bootle are already agreed - 150 from the Home Office and 100 from Environment).
- (iv) That any announcement should include the names of the Departments whose staff were to move - though not necessarily the blocks of work concerned.
- (v) (By implication) that all other moves in the current dispersal programme should be cancelled.
- (vi) That a statement should be made tomorrow (Thursday).

2. You asked the Lord President to chair a small Ministerial group, MISC 12, to agree the details of items (ii) and (iii) above) and the text of a Parliamentary statement to be made on Thursday, 26th July.

3. MISC 12 met this morning, and reached agreement on Scotland (subject to one loose end). As to Bootle, the Group formed a clear view of what they wanted to do, but did not feel able to commit Departments not represented on the Group.

4. Given a Cabinet discussion, some Ministers will undoubtedly want to reopen (v) above - the total size of the dispersal package. The Secretary of State for
Wales has already done this in his minute to you of 25th July and subsequently, and at today's meeting of MISC 12 Mr. Heseltine showed signs of wanting to do the same thing (though in his case for the benefit of England).

HANDLING

5. You might open the discussion of this item by referring to the E Committee decisions on Tuesday and the specific remit given to the MISC 12 meeting today.

You might then suggest that the Cabinet looks at the issues in the following order -

- (i) Scotland — 2,000. 650. ODA. —
- (ii) Bootle —
- (iii) Other dispersal measures (only if you agree that E Committee's implied ~~decision can be reopened e. g. in the light of Mr. Edwards' representation).~~
- (iv) The Parliamentary announcement.

Scotland

6. Under the previous Administration's dispersal programme, the Ministry of Defence were to disperse some 1,120 posts from London to Glasgow, the remainder of the Glasgow dispersal being found from elsewhere in the country. E Committee agreed to scrap the moves from outside London. At MISC 12, the Secretary of State for Defence agreed that he would look for 1,400-1,450 posts to disperse to Glasgow. He indicated that it might make the best management sense if some of these posts were to come from outside London, but MISC 12 were very clear that this would be most unwelcome (because it would cast doubt on the Government's arguments against moving staff from non-London locations to Scotland). Mr. Pym agreed to do his best to find all the posts from within London. You might like to thank him for his co-operation.

7. MISC 12 also agreed that dispersal of 650 posts to the building now under construction at East Kilbride should go ahead. Together with 1,400-1,450 posts for Glasgow, this takes us above the minimum of 2,000 which the Secretary of State for Scotland was seeking. At present the East Kilbride places are due to be filled by the Overseas Development Administration. Mr. Marten made his case against moving in MISC 12 as he did in E Committee on Tuesday, and MISC 12 agreed that if any other Minister volunteered to disperse 650 posts to East Kilbride instead of the ODA, the offer should be accepted. You will want to check round the table to see whether there are any volunteers. If, as we expect, there are none, you will want to confirm that it will be ODA who will move to East Kilbride.

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8. If these two moves are agreed, we have a package of the required size (at least 2,000) and the dispersing Departments can be named. So the major issues on Scotland are tied up.

9. There are a couple of minor points about the Glasgow move. The Secretary of State for Scotland wants to use part of the large St. Enoch's site, rather than the whole of the smaller Anderston site, which would be sold. The remainder of the St. Enoch's site would be developed commercially. This is acceptable to the Secretary of State for the Environment, so no problems arise. The Secretary of State for Scotland also wants to be able to announce that work on the St. Enoch's site will begin as soon as possible. This raised a Treasury quibble at MISC 12. They would have preferred a year or so's delay to avoid a minor PESC problem. But I would not expect them to press this point in Cabinet.

Bootle

10. MISC 12 felt that both on regional policy grounds and because there was a building available, there was a case for announcing that the Government was going ahead with the dispersal of 2,300 posts to Bootle. But they did not see their way to achieving an agreed package of 2,300 posts for announcement on Thursday.

There are three possibilities:-

- (i) To announce the dispersal to Bootle of the 250 Home Office and Department of the Environment posts which the respective Secretaries of State have agreed and leave it at that (the building could then be filled by other locally-employed Government staffs at present in rented accommodation).
- (ii) To announce the 250 posts, and say the Government are considering the possibility of dispersing up to a further 2,000 posts, to be chosen from the Departments who were due to disperse posts to Merseyside under the previous Administration's programme.
- (iii) As for (ii), but widening the range so that all Departments are potential contributors to the 2,000 posts, not only those Departments who were due to go to Merseyside before.

11. Of these options, (i) may be attacked as derisory. Option (ii) has the merit of greater certainty than option (iii) but the Ministers whose Departments would be in the firing line under option (ii) will undoubtedly press for the field of choice to be widened. The Minister of Agriculture, Fisheries and Food has already done this in his minute to you of 23rd July.

12. Given the views of MISC 12, you may feel that we should go for option (ii) or (iii) rather than option (i). To achieve the full 2,300 posts will mean twisting some arms, and it is very much a matter of judgment whether you restrict the field of choice to those Departments who were due to send posts to Merseyside anyway, or look right across the board. As the Lord President points out in his minute, the previous Administration's proposals would have sent just under 4,000 posts to Merseyside, so there is some room for cutting out the least attractive moves as part of the process of reducing that figure to 2,000.

13. If the Cabinet agrees to 2,300 posts, and decides how many Departments are to be in the field for dispersal to Merseyside, the announcement can be drafted accordingly. You will also need to invite the Lord President to discuss the Bootle dispersal with the Departments concerned and report back to E Committee in due course with firm proposals as to which Departments should send how many posts towards the total of 2,000 in addition to the 250 posts which have already been agreed.

Other dispersal measures

14. The package you will have dealt with so far (option 1 +2,000 posts for Scotland and, if agreed, 2,300 for Bootle) is, I understand, just about compatible with the Property Services Agency's prospective PES allocation in the current PES period. Subject to my next paragraph, anything further would need a revision of this allocation.

15. Mr. Edwards argued in his minute to you of 25th July, and Mr. Heseltine argued at MISC 12, that the public expenditure problem was a red herring. We could reduce public expenditure, without cutting down on dispersal, by putting the development in the hands of private developers and in due course renting the offices from them.

16. This is true, but it offers bad value for money because it brings short-term gain at considerably higher long-term cost. Successive Governments have been criticised by the Public Accounts Committee for renting too much of the Government's total office estate, instead of owning it. If the Cabinet wants to go beyond the dispersal programme agreed by E Committee, it might be better and cleaner to increase the Property Services Agency's allocation and look for off-setting cuts elsewhere.

17. You will want to consider whether you are prepared to let E Committee's implied decision be reopened at all. If you are, the immediate question will be whether something can be done for Wales. The questions will be -

- (i) What is the minimum figure that the Secretary of State for Wales can accept?
- (ii) If this figure is added to the programme, is the Secretary of State for Defence prepared to send that number of posts to Cardiff as well as 1,400 posts to Glasgow?
- (iii) If not, will the Cabinet agree that the figure should be announced now and that the Department(s) to disperse to Cardiff should be identified later?
- (iv) Should the move to Cardiff be announced instead of the move to Bootle?
(This would be undesirable both on regional policy and on estate management grounds. It would meet significant opposition in Cabinet. But it would keep down the scope and thus the cost of the dispersal programme, and would make it easier for Departments to find the total number of posts to be dispersed.)

18. If something is agreed for Wales, you will want to check that the overall shape of the dispersal programme is still acceptable as far as Scotland and the English regions are concerned. Certainly any programme which gave Wales a higher priority than Merseyside would be wide open to criticism.

The Parliamentary statement

19. You might then invite the Cabinet to turn to the draft statement attached to the Lord President's minute to you of 25th July. There should be no problems on page 1. Page 2 offers several alternative paragraphs, to reflect various possible decisions. It may be that none of them will quite do but any further redrafting should be straightforward. You can probably leave it to the Lord President to make the necessary changes. He will also need to fill in the blank figure for public expenditure savings in the light of the Cabinet's decisions.

20. You might however draw the Cabinet's attention to the first sentence of paragraph 8 of the draft: "The rest of the existing dispersal programme will be cancelled". This is in line with E Committee's discussions and with the wish of several Ministers at MISC 12 to have a clear-cut announcement which would

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discourage pressure from regional interests from further dispersals in the next few years. It does not, of course, rule out the possibility of further dispersal exercises in the more distant future. You will want express confirmation of this line.

Buildings under construction

21. In addition to the general discussion Mr. Heseltine may wish to raise the question of the two buildings under construction for dispersals which are now due to be cancelled - the specialised building for the Office of Population Censuses and Surveys at Southport and the additional building for the Department of Health and Social Security at Blackpool. The costings of the options in E(79) 26 assumed that if these dispersals were cancelled, the building contracts would be cancelled too. Mr. Heseltine is reluctant to do this. At MISC 12, the Lord President took the view that if Mr. Heseltine's reluctance led to additional public expenditure, he would need to sort out the consequences with the Chief Secretary. You may wish to support this line. Alternatively, if the Cabinet as a whole feels that it is important presentationally not to cancel these two building contracts, it may want to agree to an increase in the PSA's PES allocation for this purpose.

CONCLUSIONS

22. Subject to the discussion, you will want to record the Cabinet's conclusions on -

- (i) Scotland.
- (ii) Bootle.
- (iii) Any additional moves.
- (iv) The Parliamentary announcement.
- (v) Buildings under construction.

23. Where further decisions are required about precisely which Departments are to move how many staff to particular locations, you might ask the Lord President to discuss these matters with the other Ministers concerned, and to bring proposals to E Committee in due course.

John Hunt
JOHN HUNT

25th July, 1979