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Ref. A017

PRIME MINISTER

Review of the Dispersal Programme

(E(79) 26)

BACKGROUND

The previous Conservative Government commissioned Sir Henry Hardman to look at the possibility of dispersing more Government work from London. He reported in 1973, recommending that some 30,000 posts should be dispersed from London, though he had serious misgivings in some cases because of the damage to efficiency.

2. In July 1974, the Labour Government accepted the Hardman figures of 30,000 posts for dispersal, but changed the dispersal locations so as to give a more regional slant to the operation. For example, Glasgow would have received at most some 1,750 posts under the Hardman proposals, but was allocated 6,000 posts in the 1974 announcement.

3. Moves involving 5,000 out of the total 30,000 posts have now been completed. Moves involving a further 2,850 posts are in progress. The remaining moves are at various stages of preparation, and in some cases buildings are under construction for them.

4. With your agreement, Mr. Channon announced to Parliament on 11th June that the dispersal programme was to be reviewed, and added that the Government hoped to announce their conclusions before the Summer Recess. The plan now is that Mr. Channon should make an oral statement in the Commons on Tuesday afternoon following the E Committee discussion, and before the debate on regional policy later in the day.

5. I understand that you discussed the problem with the Secretary of State for Scotland and the Minister of State, CSD, last week, following a meeting with Scottish backbenchers. Mr. Younger felt that the Glasgow 1750 option was the minimum realistic target. He also raised the question of moving the headquarters of nationalised industries to Glasgow to take up the otherwise vacant office space

Probably not
on Tuesday
following
Cabinet
today.
(Mr)

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left by curtailment of Civil Service dispersal. I doubt if there is much mileage in this latter point (BNOC is already in Glasgow and will have to run down) but you might want to raise it.

6. The review has been conducted by the Official Committee on Accommodation, whose report is circulated with Lord Soames's paper.

7. The report shows that the basic problem is the same as in 1974. Dispersal brings material and psychological benefits to the receiving areas. It also allows savings of London rents and London Weighting, which more than outweigh increased staff requirements and travelling costs. So it produces a resource gain, and a benefit to the Exchequer, in the long term. On the other hand it involves heavy short term costs - £250 million in the current PESC period - as well as a continuing though unquantifiable loss of efficiency in the Departments concerned, and difficulties in providing rapid policy advice to Ministers. || For these reasons, dispersing Departments are generally against further dispersal, except for the three moves which are currently under way and two small rounding-off exercises. On the other hand the regional Departments, and especially the Scottish and Welsh Offices, pointed to the economic advantages of dispersal and to the political opposition which there would be to any major dilution of current plans.

8. The officials' report invites Ministers to choose between four options. They are not exhaustive, but they do give some idea of what programmes of various sizes might look like, bearing in mind regional priorities and the availability of sites and buildings. They are:-

- (i) Option 1: Minimum Dispersal. This option comprises the three moves now in progress - Manpower Services Commission (MSC) to Sheffield, Export Credits Guarantee Department (ECGD) to Cardiff, and Council for Small Industries in Rural Areas (COSIRA) to Salisbury, plus two other small moves, the HMSO Laboratory to Norwich and 90 Customs and Excise posts to Southend. All five moves are supported by the Ministers concerned. All other moves would be cancelled. This is the option which Lord Soames recommends.

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(ii) Option 2: Additional Low Cost Moves. This option comprises, in addition to the moves in Option 1, the use of two buildings to which the Property Services Agency (PSA) is already committed - St. John's House at Bootle for up to 2,300 staff, and offices now under construction at East Kilbride for 650 staff. If there is no dispersal to Bootle or East Kilbride, the PSA will be able to fill these offices by moves from leased accommodation nearby. But these leases will take a long time to dispose of, and meanwhile the PSA will be paying rent for accommodation it will not need. Option 2 gets this accommodation filled so there is a case for it on estate management grounds. It also adds a regional element as Bootle and East Kilbride are both in special development areas. But it costs more than Option 1 and introduces the problem of finding posts to disperse. Both these features of course become more marked in the later options.

650 jobs
2,300

(iii) Option 3: Supplementary moves designed to assist job creation in the Assisted Areas. This option sets out two additional packages of moves which might be considered on regional grounds. Officials recommend that the areas to benefit should be Merseyside, Glasgow and the North East in that order. So the first package gives 3,000 extra posts split equally between Merseyside and Glasgow; and the second gives, in addition to these 3,000, a further 1,350 to Glasgow and 3,000 to the North East.

These packages are subject to reservations by the Welsh Office who want something for Cardiff and the Scottish Office who think that the packages give Glasgow too little as compared with Merseyside.

(iv) Option 4: The existing programme slightly modified. This option is included mainly for purposes of comparison. It envisages continuing with the full programme of 25,000 further moves, with two modifications. Firstly, the proposed move of the Laboratory of the Government Chemist (260 posts) from London to West Cumbria is dropped altogether because - owing to the cost of the new laboratory - it shows a resource loss. Secondly the proposal to move 4,000 Ministry of Defence posts to Glasgow from outside London, announced by the last Government, is also dropped in favour of a move of 4,000 other posts, not necessarily MOD posts, to Glasgow from inside London. (A move from say, Salisbury,

22,000
20,000

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to Glasgow can arguably be justified on regional policy grounds, but is useless on public expenditure grounds because it brings no saving of London rents or London Weighting). Given the problems which Departments have had in meeting their existing commitments the identification of another 4,000 posts for dispersal from London would undoubtedly present very severe difficulties indeed.

9. The key figures in the options are as follows -

Option	Number of Posts to be Dispersed in Addition to the 5,000 Already Dispersed (Rounded)	Exchequer Costs in the Current PESC Period £ million	Total Resource Gain £ million
1	2,600	15	48
2	5,550	27	102
3i.	8,550	64	144
3ii.	12,900	81	151
4	24,740	225	233

HANDLING

10. You have agreed that Mr. Channon should attend for this item. You might ask him to introduce the paper (favouring Option 1) and then see if the Lord President has anything to add. You might then ask the Secretary of State for the Environment to comment, particularly on estate management aspects. These may lead him to favour Option 2.

11. You have agreed that all Ministers in charge of dispersing Departments may attend for this item, but you will not want to get bogged down in Departmental special pleading. However, Mr. Pym is obliged to leave at 11.45 and you may want to give him a chance to speak early on. Subject to that, I suggest that, after Mr. Heseltine, you turn to Mr. Younger and Mr. Edwards for their views. They will no doubt argue, though with different emphasis, for a bigger programme than Option 2. (They may argue that their preferred programmes need not actually be bigger. You could choose Glasgow or Cardiff instead of Bootle. But this would not make sense on either regional policy or estate management grounds. So it would be better to treat their bids as additional to Option 2, not alternatives to it).

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12. You might then see if there is any other support round the table for going beyond Option 2.

13. At this point it is just possible that Mr. Jenkin will offer to continue with the proposed DHSS move of a further 980 posts to Norcross, Blackpool, for which a building is under construction at the existing large Government establishment there. If the Committee are minded to choose Option 1 or 2, there is no harm in throwing this move in as well. But if they want to choose one of the "regional" packages, it would be better to scrap this move, cancel the building contract, and use the money thus saved towards the cost of building somewhere else e.g. Glasgow or Merseyside.

14. If there is support for going beyond Option 2 in the interest of Scotland, you might like to consider extending Option 2 by the inclusion of the Glasgow, Anderston site from Option 3i. This would give the following "regional" elements in the package -

Merseyside:	2,300 posts at Bootle		
Scotland:	2,150 posts (1,500 at Anderston and 650 at East Kilbride)	15 4 15	
Wales:	800 ECGD posts to Cardiff (of which 250 are already there and 550 have yet to move)		

15. This package is also the maximum which is (just about) compatible with the PSA's PES allocation as envisaged in the public expenditure option cuts exercise. That allocation could equally cope with 1,500 extra posts at Liverpool - the other part of Option 3i. - instead of 1,500 posts at Glasgow if that were desired.

16. If there is support for going beyond Option 2 in favour of Wales, it will be hard in equity to resist pressures to do more for the English regions as well. Going down this road would imply either something more than Option 3, or a restructuring of that option to help Wales.

17. If however there is no significant support, apart from Mr. Younger and Mr. Edwards, for going beyond Option 2, you might regard that avenue as closed, and seek the Committee's views as between Options 1 and 2.

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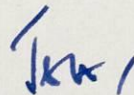
CONCLUSIONS

18. Subject to the Committee's discussion, you will want to record that they have chosen either one of the Options 1-4, or some variant on one of them.

ANNOUNCEMENT

19. The Lord President's Private Secretary has circulated (his letter of 20th July) the opening sections of a draft Parliamentary statement to be made in the afternoon following the E Committee meeting. The later sections will need to be drafted in the light of the Committee's decisions and agreed very quickly with the Ministers concerned. You might invite the Committee to look briefly at the draft circulated. If the Committee have gone beyond Option 4 you might give guidance on the following points for the undrafted sections -

- (i) Which areas are still in the running for further dispersals to be announced later? It might be possible to say that the field is restricted to, say, Glasgow, Merseyside and Teesside.
- (ii) Which moves are to be cancelled? It may be possible to say "all the rest" but if we are not being specific about which areas are still in the running, it may be desirable to be specific about certain cancellations, e.g. laboratory of the Government Chemist at West Cumbria, any dispersals from outside the London area, and the moves of OPCS to Southport and DHSS to Blackpool, whose cancellation will allow building contracts now in progress to be reconsidered.
- (iii) Guidance on the numbers to be dispersed. This is not needed for the announcement, but is essential for the officials who will be doing the follow up work.
- (iv) A target date for the further announcement - possibly "the autumn".


(John Hunt)

23rd July, 1979