



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

PRIME MINISTER

DISPERSAL TO GLASGOW

We are meeting tomorrow to discuss the Government's response to the Select Committee on Scottish Affairs' Report on the Dispersal of Civil Servants to the West of Scotland, which has been the subject of correspondence (which has been copied to you) between myself and colleagues concerned. We shall be able to discuss the issues fully when we meet; but beforehand I thought it might be useful were I to sketch out a little of the background, and I should also like to register one or two points in relation to Leon Brittan's letter of 5 June in particular.

You will recall that in July 1979 following our review of the previous Administration's dispersal plans we concluded and announced inter alia that at least 2,000 MOD and ODA posts would be dispersed to the West of Scotland. The ODA move - though affected by manpower reductions - is taking place to offices at East Kilbride where about 420 ODA staff will be joined by the Crown Agents' Pensions Department and - it is hoped - by some FCO staff to give the total of 650 required by Cabinet. The MOD move involves 1,400 posts and it was essentially controversy over the timescale of this move that gave rise to the investigation of the programme by the Select Committee. We had decided that the MOD posts would be located in a building to be constructed at St Enoch in the centre of Glasgow, a prime site which had been intended to house the main bulk of the previous Administration's programme and whose development is in my view most important to the regeneration of Glasgow. Towards the end of 1979 it was announced that the necessary work at St Enoch could not be completed until 1986. This was widely criticised as an unacceptably long timescale.

In undertaking their investigation the Select Committee asked that we re-evaluate the merits of a rival site half a mile away at Anderston Cross for which a building had already been planned by PSA as an overflow from the previous dispersal plans. It was clear that with some modifications to suit the new move that building could be ready somewhat earlier. In considering our response to the Committee with colleagues I had been minded to stick with St Enoch but Michael Heseltine persuaded me that the timing advantages of Anderston were such as to make it preferable. In his letter of 7 May he notes that the "roof could be on at Anderston" in 1984 (with completion in 1985), while the completion of St Enoch has

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now been allowed to slip to 1987. Following advice from the Scottish Development Agency who have overall charge of St Enoch's development I am now rather more confident than two years ago that a satisfactory development can be found for that site without MOD offices. I am now clear therefore that Anderston represents the best solution both politically and from the point of view of bringing work to Glasgow; and John Nott is willing to go along with the change.

It is against this background that the current difficulty about funding - which would apply both to St Enoch and to the cheaper Anderston - has arisen. PSA have not secured PES cover for the development - initially they say because it fell outwith the PES survey period and subsequently because they hoped to find private finance for it. They have recently concluded that they are less likely to secure the necessary private finance; possible changes in the PES rules mean that, even if they can do so, they might require PES cover; and they will in any event require to find some £10 million for specialised requirements. Michael Heseltine and Leon Brittan will be able to report fully on the circumstances in which this has arisen. My own concern is that the Government's commitment to, and the implementation of, dispersal should not be prejudiced by what has occurred with concomitant serious political embarrassment.

Against that background perhaps I could turn to Leon's letter of 5 June. First Leon suggests that the proposed memorandum of response contains a firmer commitment to dispersal than the Government has yet entered into. But, as a result particularly of scepticism about our will to deliver the dispersal programme against the widely suspected opposition of the Civil Service, we have all taken pains to emphasise publicly the firmness of our commitment. You yourself made this quite clear in the House in May of last year. I do not therefore consider that his suggestion that the response should make reference to expenditure constraints is a starter.

Secondly, he suggests that, if Michael Heseltine cannot fund the building himself, the only source would be to require the Scottish Office to pay for it. But the responsibility for implementing our policies on dispersal lies neither exclusively nor mainly with me, but with dispersing departments and DOE. This suggestion is quite inappropriate. Moreover, since it is DOE who have, for whatever reason, failed to secure from Treasury the necessary guarantee of funding which will be required (whether or not a measure of private finance can be achieved on terms acceptable to Treasury) for the MOD building in Glasgow, I feel particularly strongly that a solution must be sought in Michael Heseltine's Department with Treasury assistance if necessary.

As you know, the Select Committee have been pressing me and Barney Hayhoe to appear before them to explain why the Government has not yet responded to their Report. We have so far managed to hold them off; but it will be extremely difficult for us to do so if there is a further delay in our response. Our appearance in these circumstances would give them an

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opportunity to embarrass the Government; and it would I think set an unwelcome general precedent.

I am copying this minute to Michael Heseltine, Leon Brittan, Barney Hayhoe, John Nott and for information to Neil Marten.

G. Y.

SCOTTISH OFFICE
10 JUNE 1981

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