054-NJ-2003

12 September,2003

Independent Review of Public Sector Relocation
1 Horse Guards Road
London
SW1A 2HQ

Dear Sir / Madam

Independent Review of Public Sector Relocation

I am writing in response to the consultation exercise announced by Sir Michael Lyons as part of his review of public sector relocation. The Royal Institution of Chartered Surveyors (RICS) is regulated by its Royal Charter with the objective of promoting the public good. This allows RICS to comment independently on matters that it perceives to be relevant to our profession. RICS numbers over 110,000 members who work in both the public and private sectors covering all aspects of land, property and construction.

Key Recommendations:

- **The scope of the Review should be extended to include moving the policy making activities of government away from the South East**
- **The relocation of government activity away from London and the South East needs to be encouraged and supported by government**
- **Government has the ability to provide the long term, well paid employment opportunities that the UK's poorer areas desperately need and have found so difficult to attract in the past**
- **The effects of any relocation on London and the South East must be carefully considered**
- **Any relocation must be in line with spatial plans developed both at national and regional level**

The Royal Institution of Chartered Surveyors
12 Great George Street
Parliament Square
London SW1P 3AD
United Kingdom
T +44 (0)20 7222 7000
F +44 (0)20 7334 3795
www.rics.org.uk

INVESTOR IN PEOPLE

General Principles

The present Government, and governments before, have regularly stated their commitment to improving the economic and environmental well being of the UK's regions. The wide disparity in incomes and economic activity (along with other indicators, such as life expectancy, opportunities for education and the quality of the physical environment) between (and within) regions is well documented, and is beginning to create real issues for the competitiveness of the UK economy (as well as the associated human cost).

As a consequence, governments of all colours have repeatedly sought to address the issue through direct and indirect policy (regeneration, planning, education, health and transport) and numerous grant and other aid schemes. Unfortunately, these initiatives have often had little effect, and we very much support the findings of the recent ODPM Select Committee's investigation into `The Effectiveness of Urban Regeneration Initiatives' which supported our view that attempts to regenerate Britain's deprived city areas had failed.

We believe that the key to successful regeneration of deprived areas is for a holistic approach to be taken, that addresses all of the social, economic and environmental issues that impact upon an area's well being. However, one of the major failings of previous attempts to regenerate deprived areas has been the failure to create long term, well paid jobs in the area. The recent National Audit Office report (`The Department for Trade and Industry : Regional Grants in England') found, for example, that many of the jobs that government assistance had been credited with creating were in inefficient firms (usually in the manufacturing sector) who had become dependent upon repeated assistance from government.

Viable, well paid jobs are a fundamental requirement for the long-term economic growth of an area. With traditional regeneration measures having failed to create such jobs, we believe that more innovative solutions are required. With government (at both local and national level) being a significant provider of long-term, well paid jobs, we believe that it has an important role to play by, where possible, relocating jobs to areas away from the South East.

The UK Government Machine

The current distribution of government activity around the UK reflects the way that government has increasingly (over several hundred years) centralised its power in London. Not only has this been limited to exclusively government activity, but as government has, again over a considerable period, sought to involve itself with issues beyond pure governance, such as broadcasting, for example, the headquarters of those services have all been located in London and the South East, further increasing the dominance of the region on the rest of the UK.

As a consequence of this, an `establishment' has developed in UK political and business life that is centred on London and the South East. This concentration of political power means that government effectively takes a pro South East view with many of its activities.

While this may be largely done inadvertently, it has lead to the commonly held perception that London and the South East are the drivers of the UK economy, and that the other regions have structural failures that the benevolent South East seeks to address via its regional policy.

However, previous attempts by government to redress this balance have been characterised by failure. Governments (of all parties) have regularly sought to redress these disparities, but such attempts have regularly met with little, long term, success. As a consequence, the gap between the South East and the rest of the country has gradually widened.

The reason for the failure of many of those attempts to remedy the situation has been the failure of government initiatives to create genuinely sustainable, well paid jobs in depressed areas. Attempts at promoting the economies of such regions have usually concentrated on reducing unemployment levels. While this is a very worthwhile aim, such schemes have often generated large numbers of poorly paid, unskilled jobs that have not bought about the needed increase in wealth, rather than employment, that areas need to prosper.

With industry now preferring to establish itself in clusters, where companies locate themselves close to companies engaged in similar activities as themselves, there is little incentive for companies that can provide more skilled (and better paid) jobs to locate away from the South East, and a virtuous circle of prosperity has developed for the region.

We welcome the Lyon's Review, since with the Government providing many highly skilled, well paid and relatively secure jobs, we believe that the relocation of many government employees away from London and the South East could serve as a major boost to the economies of many regions, as well as providing an important improvement to the quality and cost effectiveness of the services that they provide.

In welcoming the Review, we have the following specific points to make, that we believe the Review team need to consider: -

The Scope of the Review

The Review, and the Interim Report, seeks to investigate how civil service and public sector jobs can be moved from London and the South East. However, they regularly identify a perception and need from civil servants that they need to be located close to ministers to be effective, and part of the Westminster `loop'.

We believe that the Review should expand its remit and look to include moving the policy making process from Westminster to the regions. If civil service career structures are dependent upon proximity to the policy making process, then moving that elsewhere will provide a powerful incentive to encourage civil servants to move.

Many other countries manage to successfully operate with separate government and financial centres, and we believe that the Review should consider not just moving support staff, but the entire mechanism of government. Not only would such a large scale move benefit the region that government moved to, but would help to ease the overcrowding that remains so prevalent in the South East.

The Need For Long Term, Sustainable Jobs

Almost by definition, a key characteristic of depressed areas is that they have a very low level of income. As noted above, many previous attempts to redress regional prosperity variations have looked at increasing employment and have failed to look at income levels.

While any attempt to increase employment is to be welcomed, in the past successful schemes have largely only created unskilled, poorly paid jobs, many of which have been dependent upon regional aid and which have been lost when the aid has dried up. So, not only have many of these schemes had little lasting effect, but because the jobs they have bought about have been low paid, they have bought about little improvement to income levels in the area.

However, government offers long-term employment opportunities, and we note the findings of the Interim Report of the Lyons Review which found that although public sector pay in the South East is low compared to other employers, outside the Region public sector employees tend to earn more than their private sector counterparts. If more of these jobs, which provide their employees with relatively high disposable incomes could be moved away from the South East to more depressed areas, the multiplier effect of those disposable incomes could play a major part in boosting the regional economies of some of the depressed regions.

Outward Migration

A big problem facing many of the poorer regions of the UK is that of outward migration. The young, the highly skilled, the entrepreneurial and the well paid find themselves drawn to the South East, finding much better paid employment in the South East than they can find at home. As a consequence a vicious circle starts, where the well qualified and affluent move away and only the economically inactive, or the low paid, remain. Again, we believe that transferring government jobs to such areas could play an important part in encouraging such people to remain, and not to migrate to the South East.

The Effect on London and the South East

As the Review notes, the economy of London and the South East is currently characterised by a large numbers of public sector jobs. While we support and encourage the relocation of jobs away from the area, for the economic and social benefits that would result, it is important to ensure that the relocation of those jobs does not then harm the economies of London and the South East.

Although the Interim Report identifies some 231,000 jobs that are located in London and the South East that could theoretically be relocated, these jobs are only those that are in the public sector. In addition to these jobs, however, there are many other jobs within the private sector that depend upon a high concentration of public sector employees for their existence. Although the Report does not quantify the numbers of such jobs, it regularly refers to one of the key attractions for companies in locating in London being the close proximity to government. Any reduction of government activity in the South East could also see such private sector jobs also being relocated away from the area.

There has also already been a limited, as noted by the Report, transfer of some government functions away from central London to other areas of the South East. In deciding which activities to relocate away from the South East, government must carefully consider the effects on South Eastern towns which now have significant numbers of public sector jobs in them - the relocation of Customs and Excise to Southend, for example, has seen them become a significant employer in the town. It would be a retrograde step if the relocation of government activity to boost the economies of the regions actually resulted in a reduction of prosperity in the South East.

Communications

We note the Interim Report's findings that many of the previous relocations of government activity away from London have not been as successful as was originally anticipated as a consequence of failures of video conferencing and other techniques, and employees spending significant amounts of time (and money) travelling as a consequence.

We recognise those problems. However, we believe that previous attempts to relocate government activity were somewhat ambitious, as the technology that was intended to fully support such a move was not fully developed. As a consequence, as the Report notes, not all relocations were successful and many resulted in employees spending large amounts of time travelling between different sites. However, we believe that communications technology has undergone significant advances since the first attempts to relocate government were made in the 1960s and 1970s. As such, it is now much more likely that moves would be successful, while a significant body of experience has been gained on split and remote working (both in the public and private sectors) that can be utilised to ensure that future moves are a success.

Working from Home

The Review papers all concentrate on a large-scale relocation of government functions from one location to another. However, as the Interim Report notes, this could create significant local pressures (particularly for the area receiving the new jobs) that need to be mitigated.

The Review, however, neglects the impact that encouraging employees to work from home can have, especially in the short to medium term. Firstly, for government departments who intend to stay in London and the South East, they can play their part by allowing employees who wish to utilise modern technology and communications to live and work away from the office.

Secondly, a major problem in almost all company relocations has been encouraging employees to make the move. All to often, a significant proportion of employees fail to move and seek alternative employment, or they move but leave their job shortly afterwards. The retention of skilled and dedicated staff is important to any company, but particularly so for those who are dependent upon `knowledge' based kills such as government. This loss of skilled staff can be minimised by, once the department has moved, allowing key staff who do not wish to move the opportunity to continue working remotely for the department concerned, and when they leave replacing them with someone from the locality of the new office.

Local Government

We note that the Review is only concerned with `national' government functions. However, we believe that there are many local government positions that do not directly impact upon service delivery that are undertaken by local authorities from throughout the South East that could also be moved away from the region to other parts of the country.

The Interim Report often refers to the large numbers of government call centres that are located in the South East, and believes that they are prime candidates for relocation. We believe that similar activities that are undertaken by local government should also be considered as part of the review.

Central Planning

In supporting the Lyons Review and the stated aim of the Government to move as many public sector jobs away from London and the South East as possible, we believe that this relocation should be planned to ensure that the department concerned maximises the benefits both to itself and to improving service delivery. It should also be planned to ensure that the benefit to the area that it is going to is maximised as well.

In our response to the recent DTi consultation `A Modern Regional Policy for the United Kingdom' RICS advocated the development of a national spatial plan for the UK, that would be supported by similar plans for each of the regions. A copy of our response to that consultation is attached for your information.

We believe that any relocation of government activity must be undertaken in accordance with both the national and regional spatial plans. This will ensure that government activity is being relocated to areas that have the necessary support and infrastructure to support the activity that is being relocated and that it is going to an area of genuine need. This will be

vital if the true regeneration benefits that the relocation of government services can bring are to be realised, and if the quality of service that government departments deliver is to be increased.

Conclusions

We believe, therefore, that, where appropriate, the relocation of government activity away from London and the South East has the potential to make a significant contribution to both the regeneration of the regions that benefit, and also to the quality of service that those government departments provide.

We have very much welcomed the opportunity to contribute to the Review. We also value your commitment to publish further papers to inform debate as the Review continues and for us to be able to comment on them, which we look forward to doing. In the meantime, if you would like to discuss any of the issues raised in this paper further, please do not hesitate to contact me.

Yours sincerely

Neil Johnson
Senior Parliamentary and Policy Officer
Tel: 0207-7695 1542
Fax: 020 7334 3795
Email: njohnson@rics.org.uk