

5

The current pattern of government service

Summary

The government service is considerably dispersed and has become more so over time. 18 per cent of UK civil servants are in London. Taking account of those employed in arm's length bodies, just 15 per cent of staff are in London.

The level of dispersal varies considerably by department. Defence and the big delivery departments: Work and Pensions, Inland Revenue and Customs and Excise disproportionately account for the dispersal of civil servants.

A significant amount of back office and transactional work is still in London and the South East: for example 52 out of 206 national government call centres. Despite cost disadvantages, civil service numbers are not falling in London. These indicators are relevant to the Government's interest in rationalising back office and transactional functions.

Nearly three-quarters of senior civil servants employed by UK government departments¹ are in London and departments say that, excluding local service delivery, the majority of their London based functions are policy, though this is not tightly defined. These indicators are relevant to Government's interest in slimming down headquarters and achieving a tighter definition of policy work.

Far from all arm's length bodies are physically distant from government. 60 per cent of executive non departmental public bodies considered in this review are headquartered in London, as are 28 per cent of the executive agencies considered, and many of the regulators and inspectorates.

The current pattern of government

5.1 The scope of my review took in nearly 500,000 civil servants in government departments and their agencies, some 100,000 staff (not civil servants) in non departmental public bodies, 11,000 staff in NHS bodies² and about 200,000 military staff. I was also keen not to overlook the small number of remaining public corporations, including the BBC, Post Office and Bank of England, which in total employ nearly 257,000 staff³. I took the view that front line public servants delivering face-to-face local services were outside my terms of reference (but staff in support of these services, who do not necessarily need to be colocated, certainly are in the frame for dispersal).

5.2 I was eager to establish a baseline for the dispersal of government activities. I used a variety of data sources, beginning with official statistics on civil servants.

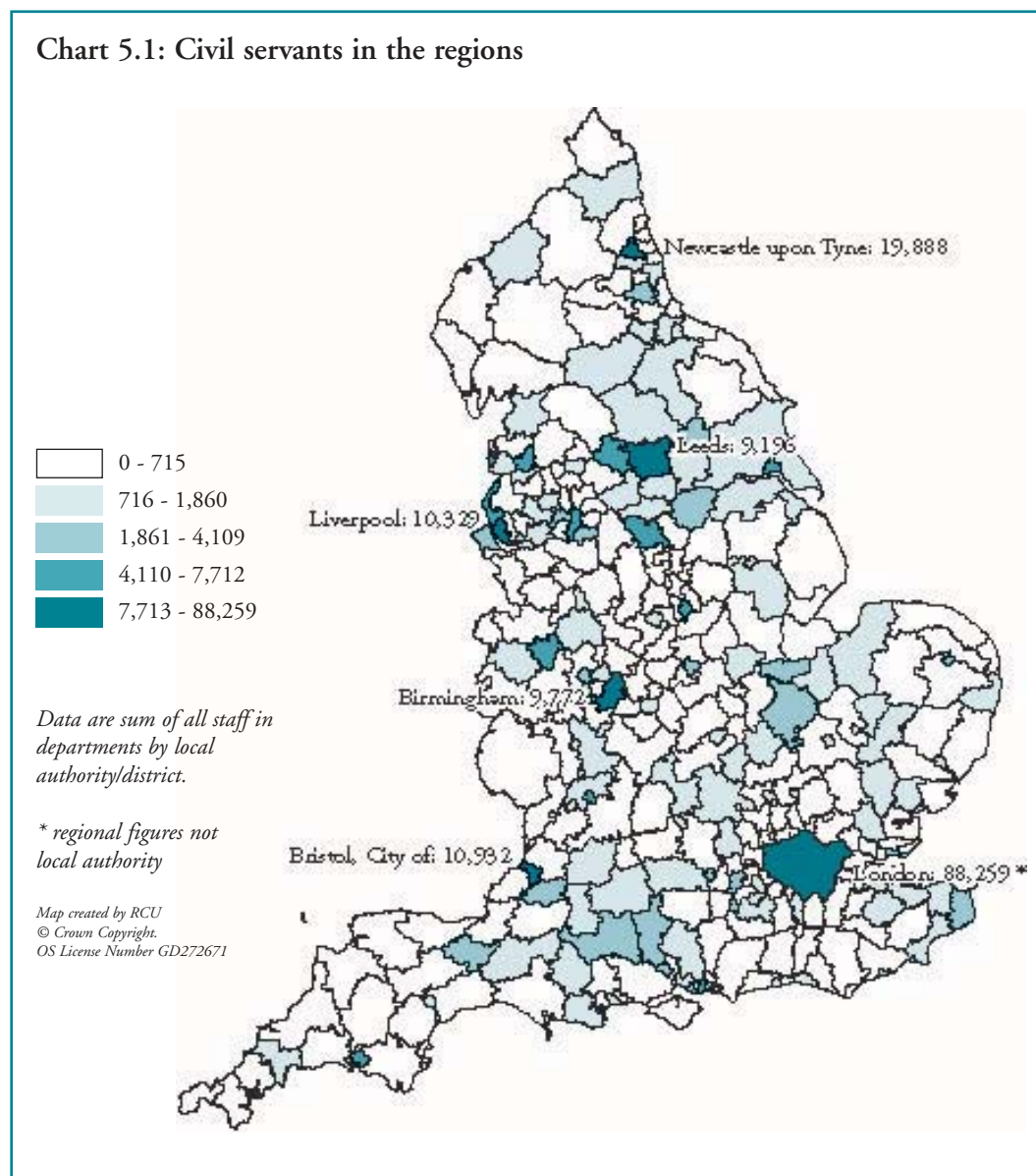
¹ This excludes staff in the Scottish Executive and associated Scottish departments, the National Assembly for Wales, and the Northern Ireland Office.

² But excluding those in Primary Care Trusts, General Practitioners, and Strategic Health Authorities.

³ Although these figures are not included in the tables in my review.

5.3 There are nearly 500,000 civil servants in the UK⁴, 18 per cent of which (87,000) work in London and a further 12 per cent (57,000) in the South East. 72 per cent of civil servants work in executive agencies or operations run on agency lines.

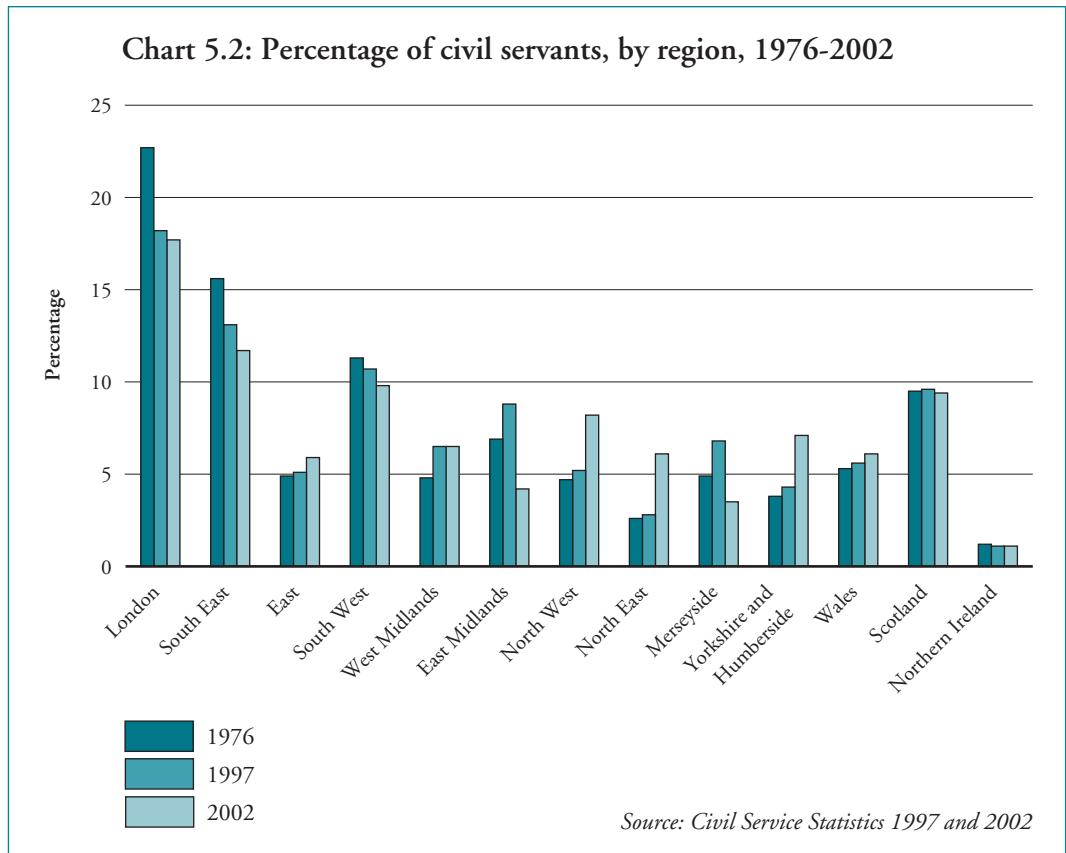
5.4 Chart 5.1, below shows the dispersal of civil servants across the English Regions.⁵



⁴ “Civil Service Statistics 2002” – Cabinet Office. Figure includes industrial and non-industrial staff, permanent full-time equivalents.

⁵ This does not total to the 490,000 civil servants in the UK, as it is in terms of headcount, and excludes UK civil servants working in Scotland, Wales and NI.

5.5 The map highlights major concentrations of civil service activity out of London. To a considerable extent this is accounted for by the local presences of the Inland Revenue (IR), JobCentre Plus and other parts of the Department of Work and Pensions (DWP), Customs and Excise, the Prisons Service and other parts of the Home Office. A large IR and DWP presence makes Newcastle the largest centre of civil service employment outside Westminster.



5.6 Chart 5.2 illustrates how the dispersal of civil servants has changed since 1976. While civil servants remain heavily concentrated in London and the South East, the long term trend is for decentralisation, consistent with the history of government dispersal outlined in chapter 2 and at Annex E. The regions which have benefited most from this trend are the North East, the North West and Yorkshire and Humberside, while in Merseyside, the East Midlands and the South West, the overall trend has been a slight decline in share over the period.

5.7 It is worth noting that, while the proportion of civil servants in London has slightly declined since 1997, the absolute numbers very slightly increased from 86,600 to 86,790 in 2002.

5.8 Table 5.1 shows a much greater concentration in London, when higher civil service grades are considered. Although London is the base for about 18 per cent of all civil servants, some 67 per cent of the Senior Civil Service (SCS) in the UK is based there. Excluding those working for the Scottish and Welsh administrations and the Northern Ireland Office, the proportion rises to 74 per cent. London also has the largest proportion – 47 per cent – of staff just below the SCS at higher management level (Grade 7).

Table 5.1: Percentage distribution of civil service⁶ grades – across different regions.

Civil Service Grade	London	South East	South West	West Midlands	North West	North East	Yorks & Humber	East Midlands	Eastern	Elsewhere	Total
Senior civil service	73.5	3.1	4.5	1.8	3.5	0.9	4.0	1.1	1.6	4.8	100
Higher manager (G6/G7)	47.0	6.7	10.3	4.2	7.5	2.5	6.6	2.7	3.6	7.4	100
Middle/Junior managers (SEO/HEO/EO)	22.6	11.4	11.5	6.4	11.5	5.2	7.9	4.3	6.4	12.2	100
Admin (AO/AA)	13.2	11.2	8.5	7.4	15.1	9.2	7.8	5.2	6.4	15.9	100
Other	1.8	30.0	19.0	8.8	0.5	0.1	1.5	0.7	1.7	26.5	100
Total	18.6	11.6	10.1	6.8	12.7	7.0	7.6	4.5	6.1	14.2	100

Source: Corporate Development Group: Cabinet Office: Correct as at April 2003.

5.9 There are no centrally-collated data on the location of staff in sponsored bodies. I relied on data provided to me by departments to build a picture of the overall level of dispersal of government activity, taking the civil service together with its various arm's length operations. Table 5.2 summarises the data, disaggregated by department. It is a snapshot view and does not provide trend data. It shows the distributions for each department (excluding its executive agencies) and what I have termed the department "group" (including executive agencies and sponsored bodies), which is my own term, and not one used in official sources.

5.10 The big picture is one of considerable dispersal. Of more than 800,000 staff, some 125,000 or 15 per cent are in London and a further 119,000 or 15 per cent in the South East.

5.11 Table 5.2 shows considerable variety in the extent to which departments are dispersed, reflecting widely differing structures and functions and the extent to which delivery is, or is not, through external agents.

- Overall, the level of distribution is quite high. Even excluding agencies and sponsored bodies, the proportion of departmental staff in London is just 28 per cent.
- The civil service centre, including HM Treasury and the Cabinet Office, is very centralised, reflecting its role in leading and co-ordinating government activity, and working with other departments, primarily in London. Smaller departments, including a number of regulators, also tend to be highly concentrated in London.
- The departments with large direct service arms – Work and Pensions, Inland Revenue and Customs and Excise – are highly dispersed. So is the Ministry of Defence Group.
- Most other departments show a considerable degree of dispersal, reflecting the distribution of their own delivery agents (agencies and NDPBs) or the regionalisation of headquarters functions – most notably exemplified by the Department of Health (London and Leeds), and the Department for Education and Skills (London, Sheffield, Darlington and Runcorn).

⁶ Includes civil servants employed by UK government departments, excluding employees of the Northern Ireland Office, and devolved administrations in Scotland and Wales.

Table 5.2: Baseline data, by department, and department group

Department	Total Staff	Staff in London		Staff in South East	
		Number	%	Number	%
Cabinet Office	1,856	1,415	76	294	16
Cabinet Office group	2,141	1,700	79	294	14
Chancellor's Depts.					
Customs & Excise	22,590	5,379	24	4,110	18
Inland Revenue	71,753	6,642	9	6,280	9
Inland Revenue group	76,108	7,398	10	6,892	9
Office for National Statistics	3,451	925	27	703	20
Treasury	1,067	1,067	100	0	0
Treasury group	1,152	1,152	100	0	0
Constitutional Affairs	1,874	1,639	87	0	0
Constitutional Affairs group	15,200	6,225	41	1,425	9
Culture, Media and Sport	478	478	100	0	0
Culture, Media and Sport group	20,681	11,592	56	1,530	7
Defence civilian	89,750	7,280	8	17,960	20
Defence military	203,680	6,370	3	51,230	25
Defence group	293,430	13,650	5	69,190	24
Environment Food and Rural Affairs	7,802	3,090	40	989	13
Environment Food and Rural Affairs group	31,017	4,108	13	6,053	20
Education and Skills	5,366	2,478	46	77	1
Education and Skills group	16,656	4,304	26	628	4
Foreign and Commonwealth Office	14,301	2,996	21	715	5
Foreign and Commonwealth Office group	21,611	3,609	17	783	4
Health	3,634	1,935	53	17	0
Health group	25,684	7,107	28	2,682	10
Home Office	15,640	11,191	72	1,755	11
Home Office group	69,549	20,021	29	9,323	13
International Development	2,934	1,026	35	0	0
Office of the Deputy Prime Minister	2,431	2,209	91	146	6
Office of the Deputy Prime Minister group	8,986	3,832	43	578	6
Trade & Industry	4,351	3,955	91	18	0
Trade & Industry group	27,911	7,946	28	1,016	4
Transport	1,651	1,223	74	226	14
Transport group	17,093	2,989	17	1,691	10
Work and Pensions	18,498	2,616	14	110	1
Work and Pensions group	129,446	14,218	11	8,890	7
Smaller departments	26,975	8,424	31	3,152	12
Smaller departments group	28,632	8,424	29	3,152	11
Totals for departments only	206,652	58,688	28	18,592	9
Total for department groups	814,272	125,605	15	118,940	15

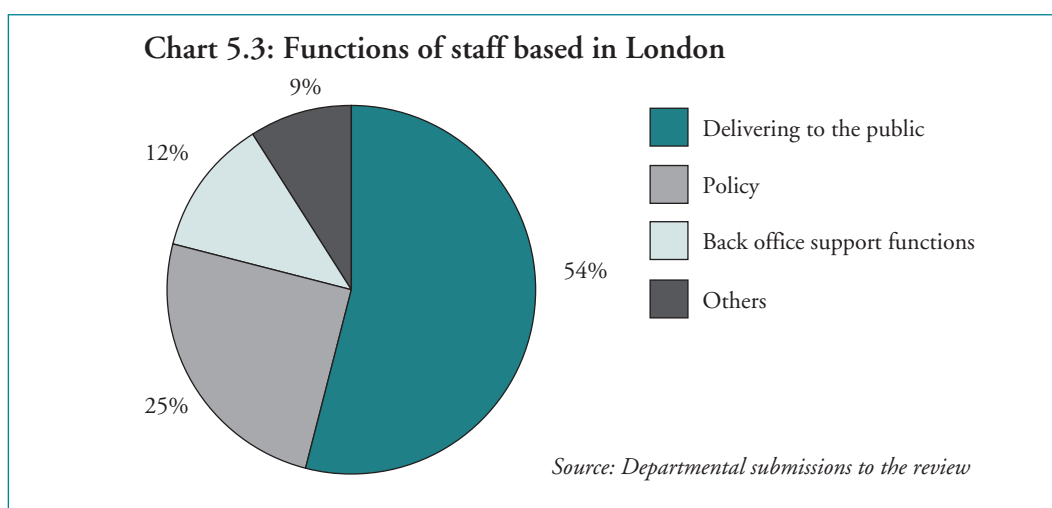
Source: Departmental submissions to the review

Department group refers to the department plus agencies and sponsored bodies, and is a term adopted specifically for this review. Not all departments have sponsored bodies or executive agencies – department group is only included here where they do.

- The absolute size of London-based headquarter functions (which does not emerge clearly from a focus on levels of dispersal) is also a noteworthy feature. The principal departments range from about 1000 to 5000 staff, with most lying in the mid-range of between 2000 and 4000.

Functions carried out in London

5.12 There are no government-wide official statistics showing the allocation of staff to different functions. Chart 5.3 is derived from data that I requested from departments, and gives a broad indication of the functions being undertaken by staff in London. It covers both civil servants and staff in arm's length bodies.



5.13 The chart indicates that, according to departments' classifications:

- More than half of London staff or 60,000 are engaged in public service delivery (but departments' detailed returns suggested that some functions in support of face-to-face delivery were also counted);
- just over one in ten, or around 12,000, London-based staff are employed in back-office and support work, including finance, procurement, IT support, human resources and so forth. This seems likely to be an underestimate, given the way delivery functions were defined, and taking account of the 15,000 categorised as "other", which certainly included some support functions (including personnel, finance, accounts, training and call centre staff);
- about one in four staff, or some 30,000, were doing policy work. This appeared to cover a range of functions from senior policy analysis and development to more operational 'intelligent delivery' functions.

5.14 Similar analysis was applied to staff based in the South East. The vast majority of these were classified as performing local service delivery functions.

5.15 Data from other sources gives a feel for the extent to which operational and transactional functions (other than those serving a local customer base) remain in London. For example, 52 of 206 national government call centres are based in London and the South East⁷. There are also significant operational activities such as the Immigration and Nationality Directorate in Croydon and various executive functions of the Inland Revenue, not all of which are exclusively locally focused.

⁷ Source: "Using call centres to deliver public services". National Audit Office: December 2002:

Data on headquarters

5.16 Some interesting facts emerged from looking at the extent to which headquarter operations other than those of main government departments were concentrated in London. I found that:

- 97 of the 162 executive NDPBs considered by my review⁸, (or 60 per cent) were headquartered in London⁹.
- 21 out of 74 executive agencies, or (28 per cent) were headquartered in London¹⁰.
- Of the eight regulators and inspectorates¹¹ with which my review engaged all but one (OfWat), had its headquarters in London. Of those, three (OfT, the Office of the Rail Regulator, and OfGEM) had all their staff in the capital, and three more had over 70 per cent of staff there (OfCom, HMCPSP, and The Food Standards Agency).

The scope to go further

5.17 The data set out above show that government functions are already widely dispersed, but also suggest considerable potential to go further. Broadly, departments agreed with me to the extent that they were able to identify more than 27,000 jobs that could be taken out of London and the South East, a theme for chapter 6.

5.18 The fact that civil service numbers in London have not declined, despite the cost and other disadvantages set out in chapter 3, suggests that price signals are not working as effectively as they should – an issue to which I return later, in the context of developing suitable incentives for dispersing activities.

5.19 The data on the continued prevalence in London of back office and call centre activity are consistent with the Government's own view, and with findings emerging from the Gershon review of efficiency, that there is considerable scope for rationalisation of back office and transactional functions.

5.20 The Government's progress with such rationalisations is therefore likely to offer considerable opportunities for further dispersal. The *Experian* evidence reviewed in chapter 3 is highly material in this regard, demonstrating that relocations themselves provide an opportunity and spur for wider business process improvements. The examples cited in Annex B also show the potential for information and communication technologies to transform organisations and create new possibilities of working across distance.

⁸ These tend to be the larger NDPBs – there are 192 in total but not all were covered by the review. They are established in statute and carry out administrative, regulatory and commercial functions, they employ their own staff and are allocated their own budgets.

⁹ According to Public Bodies 2003, Cabinet Office.

¹⁰ According to the 39th Civil Service Year Book, Cabinet Office.

¹¹ This does not include regulators or inspectorates which are the sponsored body of another department – only those which were considered self standing organisations, and thus were contacted by the review. These were: Office of Fair Trading, Office of the Rail Regulator, Office of Gas and Electricity Markets, Office of Water Services, Office of Communications, HM Crown Prosecution Service Inspectorate, Office for Standards in Education, and the Food Standards Agency.

5.21 Radical re-engineering of the whole government machine is a longer term aspiration but it should not prevent departments pressing on with quick, practical improvements. For example *PA Consulting* have developed a methodology for the rapid redirection of call centre activity out of London. This includes switching call traffic to suitable government call centres elsewhere in the country, and relying on high rates of staff turnover to minimise the costs of winding down activity in London.

5.22 Meanwhile, no overview of dispersal opportunities would be complete without a scrutiny of Whitehall headquarters. The large size of many of these is consistent with the finding that senior levels of the civil service are very highly concentrated in London. I was struck by the tendency to argue the indivisibility of headquarters ranging from 1000 to 5000 in complement, and by the lack of precision in defining policy and the case for its location in London. These findings are of course very relevant to wider Government concerns about headquarters which I set out in chapter 2, and I consider the issue further in chapter 9.

5.23 I have been particularly struck that many bodies which constitutionally are at varying degrees of arm's-length from central government nevertheless remain in London. Executive agencies were formed from the operational parts of departments after 1988, focussed on delivery and with enhanced managerial and financial freedoms under chief executives. I have no doubt that this clear business focus enabled and incentivised several of these bodies to lead successful relocations, such as the Patent Office and Defence Procurement Agency discussed in earlier chapters. The agencies of the Department of Transport provide another good example, as described in the box below. One is bound to ask why considerable numbers of agency headquarters and staff remain in London.

Executive agencies of the Department of Transport (DfT)

The executive agencies of DfT are an example of executive agencies working at a significant distance from their parent department.

The Driver and Vehicle Licensing Agency, responsible for the registration and licensing of drivers and vehicles, and the enforcement of vehicle excise duty, is based in Swansea.

The Driving Standards Agency, responsible for promoting road safety in the UK through the advancement of driving standards, is based in Nottingham.

The Vehicle Certification Agency, responsible for providing the national testing and certification service for vehicles and parts, is based in Bristol. It works with the Traffic Commissioners to improve road safety and the environment, and to safeguard fair competition by promoting and enforcing compliance with commercial operator licensing requirements.

The Maritime and Coastguard Agency, responsible for the delivery and implementation of the Government's maritime safety strategy, is based in Southampton.

The Highways Agency, responsible for the management and maintenance of motorways and other main roads, is the only one of DfT's executive agencies with a headquarters in London, but it too has undergone a far reaching dispersal programme in the last few years, leaving only around 90 staff in London.

5.24 The same question can be asked of executive NDPBs and of regulators and inspectorates (some of which are classified as departments in their own right). Those with a London headquarters include the Housing Corporation, the Audit Commission and most of the high profile regulators with the significant exception of OfWat in Birmingham. In relation to these bodies, I heard arguments about the need for colocation with London-based stakeholders and the need for close engagement with central government. But these are not in themselves a case for London headquarters, and many of these bodies have functions dispersed across the country. OfWat manages perfectly well in Birmingham, and the Planning Inspectorate in Bristol.

5.25 Executive NDPBs are mostly at greater arm's-length from central government than executive agencies, and regulators are independent. The question therefore arises whether independence and authority might actually be enhanced by greater physical separation from Westminster. Similar thinking underpinned plans announced by the Norwegian Government in 2003 to move eight regulatory agencies from Oslo.

OfWat in Birmingham

The Office of Water Services (OfWat), which regulates the water industry in England and Wales, is based in Birmingham. Of its 240 staff, only 14 are based in London, dealing with customer representation issues in London and the South East.

When it was set up in 1989, the then Regulator saw the benefits of being based in Birmingham, with good communications with key stakeholders, eg government, companies, and customers. Ofwat feels that it continues to benefit from its location. It has developed its independent role successfully, whilst still maintaining effective relationships with government, the City and other London-based stakeholders. It recruits people with a broad range of employment backgrounds across the private and public sectors. Whilst there are some downsides to being away from London, Ofwat feels that the benefits outweigh them.

5.26 Some departments pointed out to me the limits of their leverage over arm's length bodies which, by definition, have a degree of autonomy. I think this misses a bigger point. Departments clearly have to respect the arrangements that govern their relationships with other bodies. But the Government has a right to expect that bodies funded by the taxpayer should contribute to its wider efficiency objectives.

5.27 In relation to regulators and inspectorates, I am attracted to a model which seeks to build clusters of related activities in other cities, bearing in mind existing examples of regionally based bodies like OfWat and the Adult Learning Inspectorate, and the Government's ambition of a more joined up approach to regulation and inspection.

