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## The context

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### Summary

The Government is committed to improving the efficient delivery of public services, boosting regional economic growth and bringing government closer to the people, through greater decentralisation and devolution. My review is relevant to each of these themes.

Questions of location are closely bound up with Government's interest in efficiency – in particular rationalising back office functions, working across administrative boundaries, changing the interface between government and citizen through new technology, and slimming down government headquarters.

Implications for location also arise from clarifying thinking on the distinction between policy and delivery, a theme developed by the Haskins review and one which is a current concern of the Government.

A changing external environment, with ICT developments, increasing global competition and the need for enhanced resilience after September 11 2001, are also relevant to the future pattern of government locations.

Future dispersals from London should be seen as part of this wider picture of change and reform, in which government functions, structures and posts can be expected to change significantly.

Dispersal can support the Government's efforts to grow regional economies and promote thriving towns and cities, and it goes with the grain of the aim to bring government closer to the people in a variety of ways.

Past relocation was undertaken largely as a series of one-off drives, led by the centre. The main drivers were cost savings, and the need to boost flagging local economies. Dispersal was limited by the technology of the time, and by a civil service culture based on assumptions about proximity. In this respect the past is not a good guide to future practice.

### Introduction

2.1 Three policy themes have a direct bearing on my review. Firstly, the Government is committed both to the delivery of high quality services and to the rigorous pursuit of greater efficiency and productivity. Secondly, it is seeking to promote the growth of regional economies, and to narrow the disparities in growth rates between these. Thirdly, the Government supports devolution in a range of senses, including empowering front-line service deliverers, regionalising administrative functions, devolving powers to regional assemblies and re-negotiating the relationship between central and local government.

### Efficient delivery

2.2 My review has taken place at a time when the Government is focussing on how to improve efficiency, ensuring that as much resource as possible is directed to public service delivery. This has been supported by a review led by Sir Peter Gershon<sup>1</sup>. Meeting the challenge of efficient delivery will require a range of responses including re-engineering, rationalisation, cross-boundary collaboration and outsourcing.

2.3 The current concern with streamlining back office support functions, such as human resources, finance, ICT and estate management, has a particular resonance with my own work. Where frequent face-to-face contact with clients is not required, there is no rationale for support services to be colocated with clients at expensive London headquarters. Later in this report I examine the evidence that dispersal can itself be a catalyst for the introduction of new working practices, culture change, and for investment in new technology, all of which can deliver better and more cost-effective service to customers.

2.4 Slimming down large departmental presences in London headquarters is an efficiency priority which is central both to the Government's agenda – as the Prime Minister's statement below makes clear – and to my own review. It is a theme to which I return in chapter 9.

*“Organisations in the business sector have changed dramatically in the last two decades, with the centre becoming smaller, more strategic and more intelligent. Its function is to develop strategy, monitor performance and intervene only when it needs to. ... There are clear implications here for government. Many government departments have a function similar to those of a headquarters of a major business operation....*

*“I expect to see other departments following the example of the Department of Health which is cutting its headquarters by 38 per cent by becoming focused on strategic leadership rather than micro-management. If we can get this right there is a double dividend: less unproductive interference in the day-to-day management of public services and more resources freed up for the frontline.”<sup>2</sup>*

### Policy and delivery

2.5 There is a growing realisation that effective government needs a clearer understanding of the relationship between policy and delivery. This in turn has implications for the distribution of government activity. Later in this report I will show to what extent the notion of “policy” remains imprecisely defined in Whitehall.

2.6 I was struck by Lord Haskins' recent review of rural service delivery for the Department for Environment, Food and Rural Affairs (Defra). He found that much delivery work is still being undertaken at the centre of the Department, and that this practice is probably widespread in Whitehall. He recommended a clear separation between policy development and delivery, and the use of regional and local delivery networks rather than national ones. He promotes two principles of good government as set out in the box below.

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<sup>1</sup> The Efficiency Review, led by Sir Peter Gershon, Head of the Office of Government Commerce, was announced by the Chancellor in Spring 2003.

<sup>2</sup> From a speech by the Prime Minister, Tony Blair, on reforming the civil service, delivered on 24 February 2004.

*“clear accountability, achieved through the pragmatic separation of policy development and policy delivery functions; and responsiveness to need, achieved through the extensive devolution of policy delivery to regional and local networks, as is the case in all other large democracies.*

*“.....I have come to the conclusion that many of the delivery problems faced by Defra are consistent with more widespread shortcomings in Whitehall. These are both institutional and cultural. It is now widely accepted that UK administration is too centralised.”<sup>3</sup>*

2.7 These insights are important, though I suspect that the distinction between policy and delivery cannot be made as sharply as Haskins suggests. More recently, and with a slightly different slant, the Prime Minister has set out the cultural and organisational challenges for a civil service needing to redefine the policy/delivery split for modern circumstances.

*“The principal challenge is to shift focus from policy advice to delivery. Delivery means outcomes. It means project management. It means adapting to new situations and altering rules and practice accordingly. It means working not in traditional departmental silos. It means working naturally with partners outside of Government. It’s not that many individual civil servants aren’t capable of this. It is that doing it requires a change of operation and of culture that goes to the core of the Civil Service.”<sup>4</sup>*

2.8 Meanwhile, important external factors are coming to bear on the business of government that in many ways reinforce the reform trends described above. The spread of technology – including the internet and wireless communications – will continue to change the character of government and the ways it relates to citizens. The working environment is evolving, with home-working, hot-desking and other kinds of flexible working becoming more common. Global competition has already increased the international mobility of many types of work and the public sector will clearly not be immune from future changes. Following the events of September 11 2001, the need for resilience in the face of emergencies should have become a more prominent and integral strand of business planning.

## Regional economic balance

2.9 Economic disparities between English regions are stark (but there are also major disparities within regions). In the north of the country there is lower employment and higher inactivity, with all the attendant problems. In London, while there is higher GDP per head, there is a range of overheating problems including relative scarcity of key public sector workers and other staff, congestion of the transport network (with many workers facing long commuting times), and prohibitively high property prices. These problems are explored in more detail in chapter 3. Across the wider South East there are problems of housing shortage, exacerbating house price inflation and shortages of key public sector workers.

<sup>3</sup> From “Rural Delivery Review”: A report on the delivery of government policies in rural England”, Christopher Haskins, October 2003.

<sup>4</sup> From a speech by the Prime Minister on 24 February 2004.

2.10 The Government's aim is to promote economic growth in all parts of the UK, and to narrow the gap in growth rates between the English regions<sup>5</sup>. The Government is also trying to realise a vision of thriving towns and cities, encompassing urban regeneration, help for deprived communities, and boosting the performance of the major English cities, recognising their role as engines for regional economic growth. There is a particular emphasis on supporting the North<sup>6</sup>, and it is notable that the three regional electorates being offered the first opportunity to vote on elected regional assemblies are in the North. Meanwhile, the Government is preparing for major housing growth in selected areas of the South East.

2.11 In chapter 4 I consider whether dispersing government activity can contribute to these aims. Certainly, the many unsolicited bids I received from local authorities and other regional bodies calling for government functions to be relocated to their area demonstrated the strength of the belief that such presences raise the profile and prosperity of an area. The economic analysis that I report on later lends support to this view. I also found support from among authorities in London, including the Greater London Authority, that dispersal could help relieve some of the congestion and overheating effects in London.

### Bringing government closer to the citizen

2.12 Too often, government appears to citizens outside London and the South East as remote, inaccessible and unresponsive to the diversity of the different regions and areas. These views formed an important backdrop to my review and were prominent in some of the responses to my consultation. This senior civil servant in the East Midlands was typical:

“...of course everything is London-centric. It is a continual struggle to ensure that the regional perspective is heard and incorporated into policy making”

2.13 Much of this public feeling reflects a centralised political culture which the present Government has been seeking to reform since 1997. Following devolution in Scotland and Wales, the Government has taken forward a programme which has involved: creating the Regional Development Agencies (RDAs) to secure sustainable economic performance for their region; facilitating the development of (voluntary) regional chambers; and strengthening the capacity of Government Offices (GOs) to join up national policy and regional priorities. The Government is now committed, as mentioned above, to elected regional assemblies in three English regions if they are supported in referendums due in 2004.

2.14 Some have questioned whether regional assemblies are a radical enough step. For example, Catalyst argue that the very seat of government should be dispersed<sup>7</sup>. Others have argued for a new culture of local and regional democracy, which recognises the weaknesses of authority-based systems of control<sup>8</sup>, or delivered by restructuring existing arrangements<sup>9</sup>.

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<sup>5</sup> The target is to “make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions”.

<sup>6</sup> As set out in “Making It Happen: The Northern Way”, Office of the Deputy Prime Minister, February 2004.

<sup>7</sup> “Decentering the Nation: A radical approach to regional inequality”, Ash Amin, Doreen Massey and Nigel Thrift, Catalyst, September 2003.

<sup>8</sup> “New Localism: Refashioning the centre-local relationship”, Dan Corry and Gerry Stoker, New Local Government Network, October 2002.

<sup>9</sup> “The Adaptive State: Strategies for personalising the public realm”, Tom Bentley and James Wilsdon, 2003.

2.15 Parallel devolutionary changes can be seen in the Government's approach to managing public service delivery. While public sector delivery reforms after 1997 were characterised by a system of targets and central monitoring, the Government is now moving towards more delegated arrangements, with greater freedoms and autonomies rewarding good performance by local authorities and delivery agents within a clear framework of national standards and accountabilities. The key issue of how to manage performance within a more delegated system has been the subject of a Treasury-led review on devolving decision making.

2.16 What is the relevance of these developments to my review? Further decentralisation is unlikely to satisfy the hunger of those who crave for full political devolution. Devolution would certainly hasten the geographical dispersal of government functions and for some functions of government it might be the best way of achieving such dispersal. But the capacity for decentralisation to change the relationship between government and people cannot be overlooked. I was struck that the Scottish Executive's policy of relocating its functions was linked with a concern to ensure its political legitimacy outside Edinburgh and Glasgow.

2.17 It is noteworthy that in Scotland and Wales devolution democratised a machinery of government that was already devolved administratively. One lesson for England might be that devolution will work best where decentralisation has first established a sound administrative basis for government. This would also fit with the message I heard during my review that the machinery for the local delivery of national programmes is often patchy and under-resourced, and might be enhanced, for example, by bringing together national and local programmes in "one-stop shops".

2.18 One clear choice for strengthening this machinery is to build on existing regional infrastructure. Since 2000, the Government has taken steps to strengthen the Government Offices (GOs) in each of the English regions. The GOs are now the key representatives of central Government in the regions and the number of Departments represented in them has grown from three in 2000 to ten in 2004, with over 3000 staff. They contribute to more than 30 high level Government targets; manage programmes (especially cross-cutting ones) and expenditure of nearly £9 billion per annum; and help to coordinate policy development and delivery at regional level, supported by the Regional Coordination Unit (RCU).

## History of government dispersal

2.19 Are there lessons to be learned from past government relocation initiatives? The dispersal of state functions from London and the South has a long history, including some notable relocation drives following the Flemming (1962) and Hardman (1973) reviews and in the wake of the creation of executive agencies in the late 1980s. These are described in Annex E. They moved tens of thousands of jobs, permanently changed the geography of government business, and demonstrated what could be achieved with a will (though they moved fewer jobs than predicted). Hardman's conclusion that relocations have greater impact when clustered around a limited number of locations remains valid (chapter 4). In one sense, these past exercises are therefore an inspiration.

2.20 But they were also creatures of their time. It is noteworthy that they occurred once a decade or so, symptomatic of a stop-go approach, rather than one in which locational considerations are integrated into mainstream government business planning. The dispersals since the late 1980s have been more explicitly linked with the search for efficiency by business-focussed operations (often executive agencies), and those since 1997 have been mostly incremental, based around the growing network of Government Office for the Regions and Regional Development Agencies. But the energy and focus of government as a whole has not been applied to the question of location and it is doubtful that the opportunities have been pursued to the full (as I explore in more detail in chapter 5).

2.21 The Hardman dispersals in particular helped to promote a rather narrow view of “relocation” as the transfer of self-standing clerical functions from one part of the country to another – a kind of bureaucratic chess game. Hardman’s pre-determining of alternative locations also had a chess-like quality. Nowadays, functions are likely to change as they move; there are multiple modes of dispersal (devolution, regionalisation, outsourcing to name but three); the opportunities are not limited to junior grade executive operations; and choice of locations by central diktat is unrealistic. The whole notion of “relocation” is outdated. A new terminology is needed to match the new thinking. In later chapters I advance the notion that we are better thinking about “the locational dimension to business planning”.

2.22 Other countries have pursued programmes of dispersal, including the Scottish and Welsh devolved administrations and, further afield, Ireland, France, Germany, Japan and Norway among others. Across the board, these countries have looked to dispersal to deliver savings, modernisation and a better balance between centre and regions. A sample of experiences and lessons to be learned is set out in Annex D.

2.23 I have in particular noted experiences which exemplify the automatic triggering of relocation reviews (Scotland); dispersal as a stimulant to research-based centres of excellence (France); a focus on moving headquarter functions, agencies and regulators (Ireland and Norway); and dispersal as a means to improve government resilience in emergencies (Japan).