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Introduction

Summary

I was asked to investigate the scope for relocating national government activities from London and the South East, in support of a renewed Government commitment to realising the efficiency and regional benefits of dispersal.

My approach was conditioned by the need for sound evidence and my desire to be open and consultative, recognising the strength of interest in my review.

I was clear that location decisions are an integral part of wider efforts to improve efficiency and service delivery in government and must be primarily business-case led, rather than imposed by diktat.

I was in no doubt that my work was relevant to a broader debate about governance and power in the UK, and I was interested in how dispersal could contribute to a better balancing of London's magnetic pull. Equally, I was clear that London as capital would continue to need an official core supporting ministers.

The main elements of my review were proposals from government departments which I assessed; research evidence on the business and economic impacts of dispersal; a high-level comparison of alternative locations; and a wide-ranging consultation.

Introduction and scope

1.1 In April 2003 I was invited by the Chancellor of the Exchequer and the Deputy Prime Minister to lead an independent review examining the potential to disperse public sector activities from London and the South East to other areas of the United Kingdom. My terms of reference were as shown.

Terms of reference

“In light of the need to improve:

- the delivery and efficiency of public services; and
- the regional balance of economic activity

and taking into account departmental pay and workforce strategies, Sir Michael Lyons will make recommendations to the Deputy Prime Minister and the Chancellor for the relocation of civil service and other public sector workers to inform the next spending review.”

1.2 Announcing my review in his Budget 2003 speech, the Chancellor said:

“Past Civil Service relocation reviews have included the Fleming Review – and, more recently, the Hardman Review which led to over 10,000 civil service jobs transferred out of London. The Deputy Prime Minister and I now propose that we examine not only the civil service but non-departmental bodies and other public services with the aim of achieving best value for money. Successful relocation out of London by private companies suggests public sector jobs transferred to regions and nations could exceed 20,000 – to the benefit of the whole country.”

1.3 Consistent with the Chancellor’s statement, I focused on UK government departments and their executive agencies (such as the Highways Agency); and public bodies sponsored by departments, which include non departmental public bodies or NDPBs (for example the Housing Corporation) and NHS Bodies (for example Special Health Authorities). I was also interested in regulators and inspectorates, some of which are government departments in their own right (eg OfSTED), and in public corporations like the BBC and Bank of England.

1.4 I did not consider that face-to-face public services provided in NHS trusts, schools, police forces, local authorities and so forth were within the scope of my work. For obvious reasons I also excluded from consideration those bodies already wholly located outside London and the South East.

My approach

1.5 The manner in which I conducted the review was conditioned by a number of principles which I felt to be fundamental. Firstly, it was clear to me that the Chancellor’s Budget statement marked a watershed in government policy on relocation, which for many years until that point had not been a central theme of government thinking (though it had been pursued in a piecemeal and low key manner). Secondly, I held that the principal basis of any decision to disperse must be the business case of the relevant organisation. Centrally imposed moves, as characterised by the 1973 relocation review by Sir Henry Hardman, did not strike me as realistic in modern circumstances. This principle informed the guidance I gave to departments.

1.6 Thirdly, it was clear to me that relocation was not an end in itself, but made sense only as part of a broader set of business considerations in government, in particular the search for greater efficiency, and more effective delivery of public services, which were the subject of other reviews and initiatives of which I took careful note. Relocation was also highly material to the Government’s interest in improving economic growth, and developing new forms of governance, across the UK.

1.7 Fourthly, I was eager to found my conclusions on robust analysis and evidence, to be transparent in how I reached these conclusions, and to reflect the considerable degree of public and media interest in my review. I was conscious that my work was relevant to a broader public debate about the future of UK governance, including concerns about how best to reflect the diversity of these islands, and to balance the power and magnetic pull of London.

1.8 Finally, I was clear that London, for as long as it remains the political and economic capital, is the proper home for government’s core headquarter functions, and that to seek the wholesale relocation of certain government departments is not therefore realistic. In every other respect, I viewed the status quo as ripe for challenge.

My methodology

1.9 The core of my work was to elicit and assess proposals from government departments for the relocation of activities out of London and the South East, subject to guidance from my review team. The Chancellor's public aspiration to relocate at least 20,000 posts provided important context for my work, but was not factored into the guidance for departments. In other words there were no quotas, and I left it to departments to determine numbers in light of their own business needs and opportunities.

1.10 I commissioned the economic consultants *Experian Business Strategies* to draw out the lessons of previous relocations in the public and private sectors, with a view to clarifying the business benefits, and understanding how to maximise these benefits and avoid pitfalls. *Experian* in parallel examined the economic impact of public sector dispersals. I also retained the property consultants *King Sturge* to conduct a high level comparison of various locations across the United Kingdom.

1.11 By means of correspondence, a dedicated website and meetings with interested parties, I conducted a wide-ranging consultation exercise, inviting, in particular, views and evidence on the impact that public sector dispersal could have on regional economies, and on the governmental policy-making process. I received more than 200 responses to my consultation, and my review team and I met a wide range of interested parties, including heads of government departments, chairs of the Regional Development Agencies, local authorities, the Council of Civil Service Unions and academics with an interest in regional and urban economics. A full list of those with whom we engaged is at Annex B. In keeping with my desire for openness, I also published an interim report¹, in September 2003.

The progress of my review

1.12 It was originally intended that I would report in November 2003. By agreement with my sponsors, I extended my timetable by a further four months, to allow for closer engagement with government departments. This extension was very valuable for the opportunity it gave me to conduct face-to-face discussions with a number of permanent secretaries and other departmental heads, and I was grateful for their frankness.

1.13 During my review, two developments occurred which advanced Government policy on locations, and gave additional momentum to the Chancellor's earlier statement. In the wake of my interim report, the Chancellor accepted my provisional recommendation that departments should not enter into new property commitments in London without prior Treasury consent (an arrangement I am now recommending should be continued). The Cabinet also endorsed a set of principles, set out in chapter 10, which confirmed the Government's commitment to greater dispersal of its activities from London and the South East.

The structure of my report

1.14 Chapter 2 sets out in more detail the historical, policy and economic contexts in which my review sits. Chapters 3 and 4 describe the evidence I have garnered concerning the impact of dispersal on government business (chapter 3) and on the locations affected (chapter 4).

¹ "Independent Review of Public Sector Relocation: interim report". Sir Michael Lyons, September 2003. Available at www.hm-treasury.gov.uk/lyonsreview

1.15 Chapter 5 describes the extent to which government business is currently distributed and discusses the scope for greater dispersal. Chapter 6 reports on the proposals which departments made to my review, and my assessment of them. A more detailed, department-by-department treatment of these proposals is also contained in the annexes. Chapter 7 considers the human dimension to location decisions.

1.16 Chapter 8 proposes the criteria and processes that will be needed to shape an optimum pattern of locations outside London and the South East. Chapter 9 discusses the analytical and cultural challenges facing the civil service if it is fully to grasp the opportunities for a better distribution of activities. Chapter 10 attempts to draw all the threads together into a set of conclusions and recommendations.

My team

1.17 Throughout my review I was supported by a small team of officials borrowed from HM Treasury and the Office of the Deputy Prime Minister, and based in the Treasury. The team was headed by Jeremy Taylor and included Barbara Burke, Helen Chamberlin, Rob Epstein, Nicki Goddard, Marius Gallaher, Pam Harris, Helen Nicholson and a vacation student, Trusha Patel. I am enormously grateful for all their help.

1.18 I also benefited from the advice of a “critical friends” group of senior government officials, acting in their personal rather than departmental capacity. These were Richard Allan, David Amos, Michael Barber, John Barker, Paul Britton, Stephen Kershaw, David Pocock and Rob Smith.

1.19 In addition, I drew on the counsel of an informal sounding board of people very much not part of the government machine: David Walker, the journalist and broadcaster, Amanda McIntyre of the Confederation of British Industry, and consultant Fiona Driscoll from Hedra.

1.20 Many others contributed to my review in the formal exchanges with departments, the consultation and in other ways. They are too numerous to mention here and I am grateful for all their thoughts. In the end, of course, the views expressed in this report are very much my own.