

# 6

## Departments' proposals

### Summary

Departments identified more than 27,000 posts which could be taken out of London and the South East, of which up to 20,000 are candidates for relocation. Taking account of likely wider efficiency changes, the net number of new jobs created elsewhere in the UK is likely to be smaller.

This is a promising start but energy must now be put into implementation. Nor does it exhaust the full scale of the opportunity for dispersing functions out of London and the South East. It is best viewed as a first tranche.

Departments' proposals:

- Mostly involve the movement of relatively junior, operational posts;
- Show a preference for departments' existing regional sites;
- Leave substantial scope for reducing the size of departmental London headquarters, and for reconsidering the London headquarters location of many executive agencies, arm's length bodies, regulators and inspectorates;
- Leave further scope for relocating back office and government call centre activity out of London; and
- Leave wide scope for dispersal opportunities arising from joining up functions across organisational boundaries.

The immediate challenge for Government is to ensure that this tranche of dispersals takes place. This chapter begins to consider some of the implications for implementation.

### Introduction

6.1 Departments' proposals were the core of my review. I asked 39 government departments to submit proposals for relocation of posts from London and the South East, including posts within their agencies and the arm's length bodies they sponsor, and excluding staff involved in face-to-face delivery of local public services. The task, set out in written guidance to departments, embodied a high degree of challenge. In essence, I invited departmental heads to ask themselves:

*"Given my delivery priorities, the pressures I am under, and the high costs of London, can I really justify having this many people in and around London?"*

6.2 I made it clear that I expected departments' proposals to be driven by business need and informed by rigorous analysis of the costs and benefits, covering wage and accommodation cost differentials, estate management, service quality issues, risk and other business case factors as discussed in chapter 3. I also wanted departments to challenge assumptions about the need for so many people involved in the policy process to be on hand for ministers and London-based stakeholders.

6.3 I expected departments to integrate their locational planning with their programmes for reform, while recognising Government's wider objectives in relation to modernisation, efficiency, devolution and the regions. Thus I encouraged departments to consider locational opportunities that might arise from new uses of information and communication technologies (ICT); sharing services and processes with other government bodies; and other changes to organisation, culture and practice. I also asked them to consider the opportunities for using existing regional infrastructure, for example the Government Offices for the Regions, and to address whether dispersal might contribute to more resilient disaster recovery arrangements in the world after September 11 2001.

6.4 I asked departments to say how their proposals would be taken forward, taking account of any constraints and dependencies. My discussions with departmental heads were helpful in exploring these issues, which I expose later. I also encouraged departments to share their past experiences of relocation. I am grateful to those that were able to provide material, some of which has been reflected in the work produced by *Experian*<sup>1</sup> and in the case studies in this report, and which has helped to inform my conclusions.

6.5 Initial proposals were submitted by departments in September 2003. These were assessed against a framework reflecting the criteria set out above, and consulting relevant specialists across government, for example in the Office of the E-Envoy (information and communication technologies), or the Office of Government Commerce (property issues). Further exchanges with departments continued until March 2004.

### The overall picture

6.6 Departments have identified about 27,000 posts which could go from London and the South East. Of these about 19,700<sup>2</sup> are candidates for relocation, whilst 7,500 are expected to disappear as part of wider efficiency improvements of which my review was notified. A summary of the numbers broken down by department is at table 6.1. Department by department summaries of the proposals and my assessment of them are at Annex A. Taking account of wider efficiency changes, the net increase in jobs in the rest of the country is likely to be lower than 19,700.

6.7 The proposals are at different stages of development. Some are already close to implementation, such as the planned move of 85 Department for International Development posts to East Kilbride, and of more than over 1,800 posts Department for Work and Pensions posts. Others require a good deal more work to develop detailed business cases, or are seen as dependent on the outcome of other reviews or reorganisations.

---

<sup>1</sup> "The Impact of Relocation – learning from previous relocations", Experian Business Strategies January 2004: available on the Treasury website at [www.hm-treasury.gov.uk/lyonsreview](http://www.hm-treasury.gov.uk/lyonsreview)

<sup>2</sup> This includes some new posts which would otherwise have been based in London and the South East. It also includes some posts which will relocate from London to within the South East, such as 456 posts for the FCO which are moving from central London to Milton Keynes, and 18 posts for the National Archives which are moving from central London to Kew.

6.8 Given that departments' plans were at very different stages of development, not all were able to give full details on the candidates they put forward, but some clear patterns emerge:

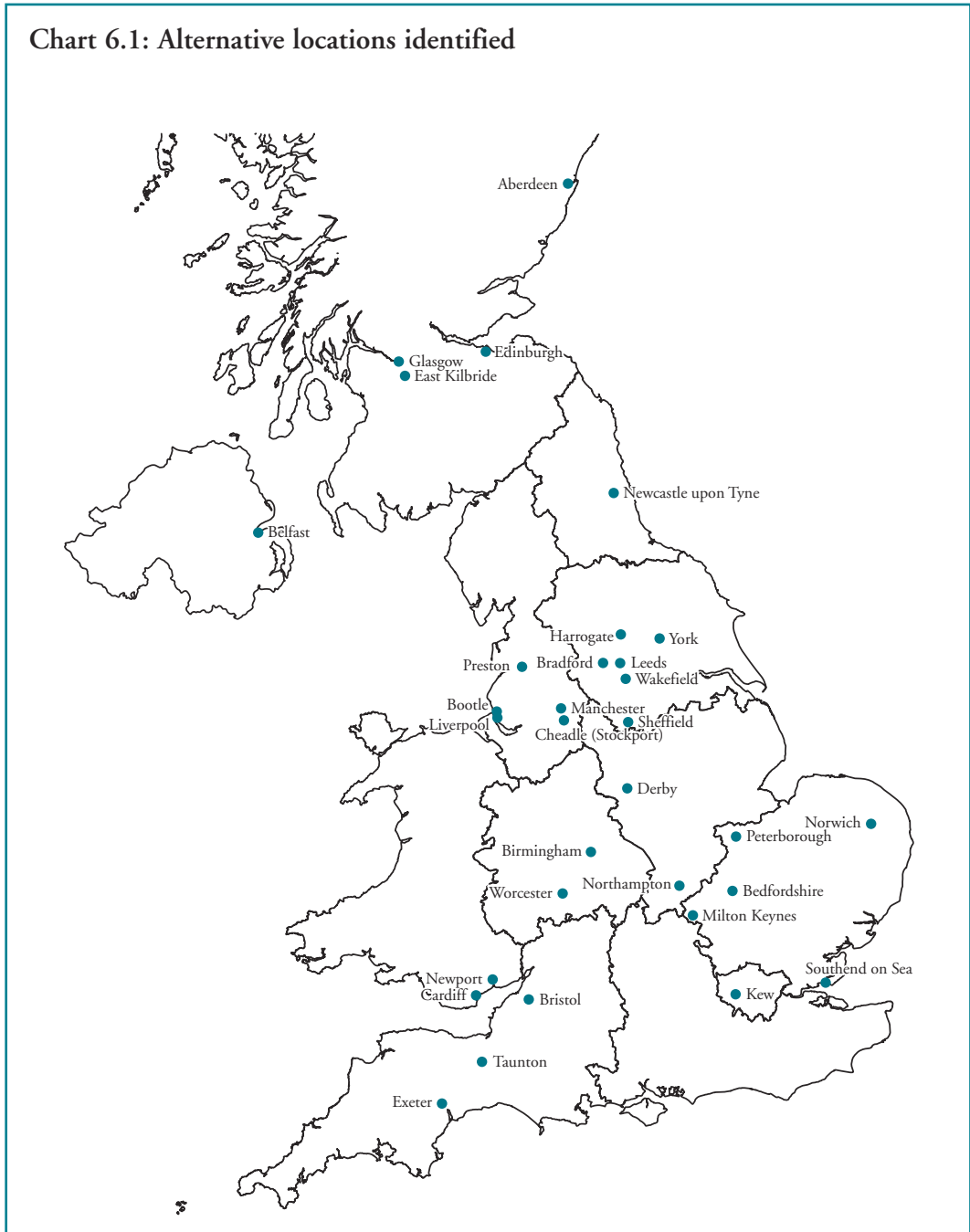
- 70 per cent of the posts identified would go from London, the rest from the South East<sup>3</sup>; Only around 30 per cent of departments were able to specify when they expected moves to take place, but of these, all would be likely to be complete by 2010;
- Fewer than 3 per cent could be classified as policy posts, 15 per cent were technical or specialist posts, 20 per cent were military, and the vast majority of the rest were back office support functions like human resources or IT, or are in junior grade delivery functions, such as form processing<sup>4</sup>;
- Just over half the posts proposed come from executive agencies, NDPBs, or other arm's-length bodies, rather than core departments, with less than 20 per cent of posts coming from London based departmental headquarter functions<sup>5</sup>;
- 21 smaller departments, including key regulators and inspectorates and accounting for 11,576 staff in London and the South East, in aggregate offered only 30 candidate posts for relocation;
- Few departments proposed relocating call centre activity (Inland Revenue and Customs & Excise were exceptions);
- Little wholesale relocation was envisaged: over 85 per cent of posts were from organisations which would still have some presence in London or the South East;
- Departments which specified alternative locations (not all did) displayed a strong preference for using their own regional sites or for clustering in areas where they already had a presence (see chart 6.1 below and the departmental summaries for detail). Locations mentioned by two or more departments included Newcastle, Glasgow, York, Leeds, Liverpool, Manchester, Sheffield, Birmingham, Bristol and Cardiff; and
- 16 departments speculated about further candidates for dispersal over a longer timespan, which are not included in the numbers here.

<sup>3</sup> Information given for 80 per cent of posts identified.

<sup>4</sup> Information given for 65 per cent of posts identified.

<sup>5</sup> Information given for 75 per cent of posts identified.

Chart 6.1: Alternative locations identified



## Proposals in detail

6.9 Table 6.1 summarises the 27,150 posts departments have identified.

**Table 6.1: Proposals to the review, including related staffing reductions**

Department group	Dispersal candidates	Efficiency candidates	Baseline complement of departmental group in London and South East
Cabinet Office	250	0	1,944
Chancellor's Depts.			
Customs & Excise	500	0	9,489
Inland Revenue	1,450	0	14,290
Office of National Statistics	1,125	0	1,628
Treasury	18	0	1,152
Constitutional Affairs	1,625	0	7,650
Culture Media and Sport	604	0	13,122
Defence	3,887	351	82,840
Environment, Food and Rural Affairs	350	773	10,161
Education and Skills	790	0	4,932
Foreign and Commonwealth Office	456	0	4,392
Health	1,110	700	9,789
Home Office	2,300	200	29,344
International Development	85	0	1,026
Office of the Deputy Prime Minister	237	0	4,410
Trade and Industry	600	450	8,962
Transport	72	0	4,680
Work and Pensions	4,187	5,000	23,108
Smaller Depts.	30	0	11,576
<b>Totals</b>	<b>19,676</b>	<b>7,474</b>	<b>244,495</b>

*Source: Departmental submissions to the Review*

*Smaller departments have been grouped together, details are at annex A.*

*Some figures include staff moving out of central London but within the South East and new posts which would otherwise have been in London and the South East.*

*Health figures do not include 700 staff moving from the department to the front line.*

*Home office efficiency gains will be at least 200.*

*Shows proposals for the department and any executive agencies and NDPB's.*

6.10 I assessed these proposals against criteria addressing rigour of analysis, integration with broader strategy, and clarity about the way forward, taking account of departments' current state of dispersal. How good a response was this? It was clear from the patterns described above that departments had offered proposals of substance but ones which, in aggregate, would lead to incremental rather than radical change, and which were not likely to capture the full extent of dispersal opportunities discussed in chapter 5.

### Rigour of approach

6.11 There was a degree of rigour in the extent to which departments tackled their business planning but far from universal coverage of relevant factors. Much less rigour was apparent in the extent to which departments had challenged themselves to justify the current level of activity in and around London and to envisage a fundamentally different configuration. I found this disappointing and was surprised by how often departments asserted rather than demonstrated the need for a London location on the grounds of ministerial needs, colocation with key stakeholders, and the status and indivisibility of policy work.

- 13 departments specified likely up front costs with costs per post relocated ranging from £6,000 to £206,000;
- Over three quarters of the proposals addressed accommodation cost savings in the longer term, and most of them identified the risks and costs associated with early exits from existing leases;
- About half of the proposals demonstrated analysis of the possible labour cost savings, but many did not identify the costs and risks associated with relocation packages and redundancy;
- About half of the proposals considered the possible benefits of improved recruitment and retention away from London;
- About half of the proposals addressed possible improvements in service delivery to customers;
- Only two departments, Customs & Excise and Office for National Statistics, tried to quantify the benefits which would be derived from greater alignment of pay with local market conditions out of London;
- Few departments proposed moving significant policy functions; and
- There was very little mention of the Government Offices for the Regions as a platform for further dispersal, with the Office of the Deputy Prime Minister and the Department for Trade and Industry notable exceptions.

### Integration with departments' broader strategies

6.12 Departments on the whole were less than successful in showing how their location thinking fitted with broader strategy. There were some notable exceptions. For example, the Department of Trade and Industry was able to demonstrate how its relocation proposals sat alongside a slimming down of headquarters functions. The Department for International Development were clear that the further move of policy posts to Scotland contributed to a strategy of strengthening its East Kilbride operation, including by enhancing career opportunities.

6.13 In other cases, the proposals seemed both modest and self-contained, rather than integrated with a bigger overhaul. This was reinforced by the insight that in some departments the response to my review was being handled by altogether different people from those engaged with the efficiency review and other initiatives.

6.14 In my conversations with department heads I had a stronger impression of strategic joining up at the top (indeed that is what I would expect at this level!), but was left uncertain how far that strategic overview cascaded down the organisation.

- In their written submissions, fewer than half of departments demonstrated how relocation proposals fitted into the wider context of departments' modernisation and reform strategies, and the treatment was often cursory;
- Few proposals demonstrated that radical embracing of information and communication technologies had informed departmental thinking on dispersal and its relationship to reengineering (in contrast to some of the private sector examples notified to the consultation and mentioned in Annex B);
- Few proposals addressed the possibility of joining up activities across departmental boundaries and relocating them, and there were no joint proposals from groups of departments. Some departments said they were considering it – for example the Department for International Development and Office of the Deputy Prime Minister. The Food Standard Agency had tried to interest other smaller departments;
- No department proposed dispersals that were explicitly linked to political devolution (eg in anticipation of, or in consequence of, devolution of decision making powers to other authorities), though one third of proposals mentioned the potential read-across, and the DTI proposed moving functions to the Regional Development Agencies;
- Only the Foreign and Commonwealth Office displayed any detailed consideration of disaster recovery planning as an aspect to dispersal; and
- The impact of dispersal on improved business culture, and the efficiency gains that can flow from these (as discussed in chapter 3), did not appear to have been considered by any departments.

### Clarity of the way forward

6.15 I was aware that some departments had already gone a long way towards dispersing activities and that the remaining opportunities were not evenly spread across government. I gained a strong sense, most particularly in my discussions with department heads, that the benefits of dispersal were well understood and that there was a will to move forward. The level of drive varied between departments and I saw a clear need for initial proposals to be turned into firm plans, with clarity about processes and timetables.

6.16 Departments raised a number of concerns, including:

- The up-front costs of dispersal – including early exits from London leases, relocation packages, and where necessary, redundancies – and the availability of funding;
- The potential for relocation to divert resources and senior management time from key departmental targets and priorities;
- The vital importance of business continuity where relocation impacts on service delivery;
- Concern about the interaction between locational issues and the wider efficiency agenda; and
- Concern about aggregate effects over which individual departments felt they had little control: for example, the potentially distortionary effect on office property markets of the combined planned relocations, or the difficulties of redeploying staff in other parts of the civil service. On some of these issues department heads indicated that they would welcome tighter coordination from the centre.

6.17 These concerns are consistent with the research findings reported in chapter 3 that relocation carries risks, and requires leadership, careful planning, project management and good communication from the top to make it succeed. The important issue will be how department heads react in the face of these factors.

6.18 Up front costs are clearly an important issue that needs to be addressed in the forthcoming spending review. My view on the link with efficiency is that it ought not to become an excuse for inaction. I found it revealing that some departments felt unable to progress their thinking on location until other fundamentals were decided, rather than trying to tackle both in parallel, or by using dispersal as a contribution to wider reforms. The important point about aggregate effects is discussed below.

### Conclusions

6.19 Departments have made a promising start in identifying some 19,700 candidates for relocation. My analysis of their proposals clearly reveals that they have not unearthed the full extent of the opportunities for dispersal. The unquantified, speculative possibilities identified by 16 departments are a sign that they too recognised there was scope to go further. I was not satisfied that departments have yet been sufficiently rigorous in challenging conventional thinking about what must be done in London. The 19,700 candidates are therefore best viewed as a first tranche. What are the implications for Government in taking matters forward? I have drawn three main conclusions from departments' proposals.

6.20 First of all, there is a matter of focus and priority. The nature of the aggregate departmental response to my review reflects the relative lack of prominence that location has enjoyed as a dimension of government business planning. As is clear from the discussion in chapters 1 and 2, that situation is now changing and departments will need to adapt to developing Government thinking on public sector reform. In particular they will need to think harder about the fit between their relocation proposals and wider reforms, including those prompted by the efficiency review. One implication is that the figure of 19,700 may come down somewhat.

6.21 The 2004 spending review will be a particularly important forum for bringing together the locational and wider efficiency considerations, and associated departmental commitments, which will inform the setting of government budgets for the period 2005 to 2008. The challenge for ministers and department heads will be to set a clear lead, affirming that location is an integral aspect of planning, running and reforming government business. Chapter 10 picks up these themes.

6.22 Secondly, there is a question of collective action. Dispersal opportunities will arise from joined up government, but departments gave me proposals only within their own silos. Overall value for money will be best delivered by a more collaborative approach to dispersal in some key respects. A pressing example is the need to properly coordinate exits from London, so as to minimise unnecessary exit penalties and to avoid depressing London office property values. A more collaborative approach will also need to inform choices of alternative locations and the management of employment issues, and I return to these in chapter 10. Collaboration may also be the best way to make progress with the dispersal of functions in smaller departments, where problems of scale (eg up front costs large in relation to departmental budgets) are likely to have been a major inhibitor of significant proposals for dispersal.

6.23 Thirdly, there are important matters of culture and conceptual approach which merit challenge in their own right. Many of these lie at the heart of the insufficiently scrutinised assumptions about what must be done in London and are discussed in chapter 9.

