

# **PUBLIC SECTOR RELOCATION PROJECT 2003**

## **Submission by the Core Cities**

### **The Core Cities**

1. The Core Cities group came together in the mid-1990s to develop the distinctive role which the big cities must play in national and regional life if Britain's overarching goals for sustainable growth and greater social equity are to be achieved. The Core Cities have developed a range of policy themes - notably on economic policy - and have built a constructive relationship with central government and the principal regional agencies. The group currently comprises Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

### **Structure of this submission**

2. The Core Cities welcome the Public Sector Relocation Project (PSRP) as a significant opportunity to strengthen the direct contribution of public policy and the public services to the present Government's overarching goals for higher economic growth and greater social equity.
3. However we are very conscious that - as the PSRP Interim Report itself points out - previous relocation reviews struggled to make the intellectual leap from simply moving a given number of jobs out of London to demonstrating a real shift in the culture and practice of public administration as such.
4. Because we attach so much importance to the PSRP being seen in retrospect as a defining factor in the evolution of the 21<sup>st</sup> Century public sector our submission highlights not just our analysis of the practical opportunities for relocation but also how these have a mutual resonance the Government's overarching policy goals.
5. So our submission is structured as follows:
  - ## First, a brief review of what defines competitiveness in advanced knowledge economies like the UK - and in particular highlighting the evidence that the competitiveness of cities is the key differential in the level of regional economic performance.
  - ## Second, an analysis of the "map" of the today's public sector and the opportunities for relocation from the perspective of Core Cities - and in particular addressing the issues which determine the location of higher level public policy functions, i.e. those that have the greatest potential

to shift regional economic performance but which have traditionally been concentrated in London.

# Third, an external perspective on how the PSRP sits within the Government's overarching economic and social policy goals - in particular highlighting the degree of resonance and the critical opportunities for mutual advantage.

6. At the end of each of these sections we highlight the key messages for the PSRP remit and make our specific recommendations which we hope will influence the Review Team's report. These are contained on Pages 6, 14 - 15 and 19.

## **The dynamics of competitive advantage in advanced countries**

### The competitiveness divide within the UK

7. For several years the Core Cities have been highlighting the weight of research evidence which contrasts the spatial pattern of economic growth in the UK - heavily dependent on the global role of London - with that in our main competitor countries - where the principal regional cities are motors of growth for their regions and have distinctive international profiles. The correlation between the competitiveness of major cities and the performance of their surrounding regions is well documented - and is reflected here in the long standing disparities in performance between the regions where London is the 'core city' and the regions away from the south east with the Core Cities at their heart.
8. Figures published by the Office of National Statistics on 20 August demonstrate the alarming pace at which these regional disparities in underlying competitiveness are now widening. Between 1995 and 2001 Gross Value Added in the 'greater south east' (London, South East, and Eastern Regions) grew by 46% compared with growth of only 30% in the other English regions. In pictorial terms regional disparities present a "V" shape, with many commentators predicting the arms of the "V" continuing to separate unless the underlying causes of 'place competitiveness' are systematically addressed.
9. Commentators are also voicing concerns about the UK's ability to take full advantage of the next global upturn if London remains the nation's only significant international motor of growth. Rising congestion and the risk of early overheating from competition for resources could threaten London's unique attractiveness as a location for leading edge global functions.
10. The Government has recognised the significance of these challenges by announcing in 2002 a Public Service Agreement Target which aims 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, defining measures to improve performance and reporting progress against these measures by 2006".*

### The pivotal role of cities in creating prosperous regions

11. "Knowledge" is now the distinguishing feature of competitive advantage in advanced economies like the UK. The ability to use leading edge research and intellectual capital to create high value products and services has superseded the exploitation of natural resources and large scale manufacturing as the bedrock of our international competitiveness.

12. Researchers now point to the agglomeration of assets concentrated in or near major cities as the key differential for creating competitive advantage and enhancing regional economic performance. The term 'Ideopolis' has been coined to describe this modern city role -

*"Ideopolis represents a 21<sup>st</sup> century metropolitan version of what we first saw in Italian Renaissance city-states. The key elements are the airport, the university and the capacity to create new ideas that buoyant demand, intellectual capital and business self confidence help to sustain" (Will Hutton 2002).*

13. However, research evidence and official statistics provide compelling evidence that the main English regional cities currently lag significantly behind their counterparts in Continental Europe and in the US on most measures of competitiveness and economic performance. This gap is replicated in the performance of the regions surrounding the cities.

14. The pivotal role of cities in the national and regional economies was recognised during 2002 by the establishment of an ODPM-led Working Group which has brought together the main Economic Departments, the Core Cities and the RDAs to identify the key issues where public policy can be targeted most effectively to enhance the competitiveness of the regional cities.

15. The conclusions and recommendations from this work to date was brought together in the report "*Cities, Regions and Competitiveness*" (launched by the Deputy Prime Minister in June 2002). The Core Cities have already drawn the PSRP Team's attention to the key messages in this report.

16. The next stage of this work is now under way with updated terms of reference committing the partners " *to contribute towards the evidence base supporting the Government's PSA Target for regional economic performance*". A clear common agenda with the PSA Team is now taking shape.

### The significance of devolution and decentralisation for regional economic performance

17. The ODPM-led work on the economic role of cities commissioned a major research project to investigate the success factors in non-capital cities elsewhere in Europe. In addition to reinforcing and exemplifying the range of evidence underpinning *"Cities, Regions and Competitiveness"* this new research - to be published shortly - reached some important conclusions about the correlation between devolved/decentralised governance and the confidence/capability of major cities to develop their economic strengths and drive up the performance of their regions.
18. The research makes detailed comparisons between the devolved systems operating in most Continental countries and the much more centralised control of cities here - a situation not directly addressed in the Government's framework for greater devolution to the English regions. The Core Cities have already drawn the Review Team's attention to these findings - which are summarised in section 6 of *"Cities, Regions and Competitiveness"*.

London's position as the nation's "decision taking magnet"

19. In direct contrast to the situation in most Continental countries the spatial distribution of the higher level public sector functions here positively reinforces London's economic dominance over the other cities.
20. This submission has already highlighted the significance of the knowledge economy for the UK's competitiveness. We now want to highlight the extent to which the higher level public sector functions are themselves key drivers of the knowledge economy. As such the location of these functions has a shaping influence on location decisions in the knowledge economy as a whole
21. The Core Cities have already drawn the Review Team's attention to the highly significant findings of the Local Futures Group in their recent report *"The State of the Nation"*. This concluded that

*"Britain has entered the knowledge economy era as a two nation society"*

and had this to say about the influence of the concentration of public sector functions in London

*"London's dominance of the knowledge economy goes beyond powerful, global business drivers. Central Government anchors the knowledge economy in London, as a big employer in its own right, as well as attracting around it the head offices of the major national non-profit and non-governmental organisations"*.

22. This evidence that public sector functions are fundamental in underpinning the strength of London's economy chimes with advice given to the Core Cities by Invest UK. They point to a range of market advantages which lead knowledge economy investors to overwhelmingly

choose south east locations. But they add that these investors are also strongly influenced by London's 'reputation' as a decision-taking hub for governance and the main public sector functions.

The major regional cities are not perceived as "decision taking magnets"

23. In commenting on the consequences of London's dominance the Local Futures Group said

*"Although regional cities contain hotspots of enterprise these embryonic clusters as yet lack the critical scale to drive the creation of competitive city-regions".*

The Group's recommendations for securing a more balanced economic geography heavily emphasised the advantages which would flow from relocating higher level public functions to major regional cities.

24. The effect of London's "magnetic" attraction is starkly demonstrated by statistics from the Higher Education Funding Agency which show the extent of the graduate migration from the outlying regions to London. This further exemplifies the overall trend for ambitious individuals and organisations to concentrate in and around London highlighted by both the Local Futures Group and Invest UK.

Creating alternative "decision taking magnets" to London must be a key policy goal

25. The Core Cities see major significance in the above analysis. In recent years many researchers and commentators have drawn attention to the economic dominance of London - and now to increasing worries that a congested London will work against the UK's interests in future global upturns. But growing evidence that the concentration of government and public sector functions in London is playing a critical role in unbalancing the UK's overall economic geography is an emerging, and alarming factor.

26. It is important to highlight two points:

≠ First, the actual numbers of public officials located in London are significant in terms of the debate about congestion and competition for resources.

≠ But, second, even a major reduction in numbers achieved through relocation of lower level functions would not change London's magnetic attraction for the knowledge economy, which flows from the concentration of higher level functions.

27. For these reasons the Core Cities want to highlight the significance relocation of higher level public functions from London to the major regional cities can have in (a) raising the profile of these cities as alternative "decision taking magnets" to London and (b) contributing

directly to the ODPM-led work in strengthening these cities as urban renaissance exemplars and motors of economic growth for their regions.

### **Key Messages for the PSRP**

- €# The UK economy's over dependence on London is raising concerns about capacity for growth in future global upturns.
- €# Experience in competitor countries points to the key role major regional cities play as motors of growth for their regions and in attracting significant international functions - thereby making space for the capital city to concentrate on roles beyond the reach of regional cities.
- €# The concentration of higher level public functions in London has become a shaping factor in the current regional disparities. Both public and private organisations - and ambitious individuals - now see London as England's only significant "decision taking magnet".
- €# The ODPM-led Core Cities Working Group is currently identifying policy measures which will enable the main regional cities to raise their profiles as alternative "decision taking magnets" to London - relocation of higher level public functions from London to the regional cities would contribute significantly to this goal.

### **Core Cities' Recommendations to the PSRP**

- €# Utilise fully and specifically the evidence about regional disparities in competitiveness and the pivotal role of cities in raising regional economic performance to form the platform for the Team's recommendations to Government. This evidence has been published by ODPM in *"Cities, Regions and Competitiveness"* and provides the essential intellectual authority for the Review's economic remit.
- €# Give full weight to the evidence that the concentration of higher level public functions in London is now playing a key "magnetic" role in pulling the knowledge economy to London.
- €# Endorse the importance of the ODPM-led work to develop the main regional cities as alternative "decision taking magnets" as the pre-requisite for a step change in the performance of regions away from the south east, and state specifically that a radically new approach to the relocation of higher level public functions from London has to be a central plank in this process.

## **The potential for public sector relocation in the context of devolution and decentralisation**

### The significance for the PSRP of the present Government's regional agenda

28. At first sight the extent of the Government's progress to date with constitutional reforms and devolution to territorial institutions - regularly cited by commentators as being much more radical than the agendas of previous Administrations - should create a positive platform for the PSRP. But these developments are still at the formative stage in the English regions. The Core Cities therefore attach high importance to the PSRP positioning its analysis at the leading edge of the Government's devolution and decentralisation agenda and making recommendations designed to shape rather than follow the rolling out of that agenda.

### Issues the Core Cities want to highlight for the PSRP

29. The PSRP Interim Report describes the stakeholder context and highlights a number of factors and issues which need to be addressed if radical approaches to relocation are to take root and gain positive commitments.
30. The Core Cities want to concentrate on a short list of issues which have gained prominence in this debate. These issues are - the economic impact of relocation, the viability of 'policy' functions located outside London, the human dimension of relocation, how to segment the 'map' of what now constitutes the public sector, and the implications for Core Cities of a radical approach to relocation.

### Terminology

31. Throughout this section of the submission we refer to public sector functions under the following broad headings. We accept that these form a continuum and the precise boundaries are not always easily drawn.

## Policy - the development, evaluation, and further development of the government's approach to the major issues requiring public intervention.

## "Intelligent Delivery" - the development, implementation, monitoring, and further refinement of a delivery framework for a discrete area of policy.

## Research and Development - the public sector R&D base, which statisticians usually divide between Higher Education and Government Departments (of which only the latter is assumed to be within the PSRP remit).

## Back Office and Customer Contact - e.g. personnel, accounting, "call centre" functions.

### The economic impact of relocation

32. We share the Review Team's surprise at the assumptions of very limited economic impact made by all previous relocation exercises. We want therefore to make a robust counter argument in a modern context.
33. We want to start by acknowledging that economic analysis and the experience of earlier relocations does point to significantly different economic impacts flowing from the relocation of different public functions.
34. At one level the relocation of Back Office and Customer Contact functions appear to have an immediate impact through injecting a significant additional number of jobs into the local economy. There will also be multiplier benefits from individual and corporate (if this is actually done locally) spending. Given the considerable experience of such relocations we assume that these impacts are, or can be, readily charted. Our key point is that the economic impact of these relocations is limited to immediate consequences and does not have a wider catalytic impact on the local or regional economy.
35. But the picture changes when we look at the impacts of policy and "intelligent delivery" functions. The Core Cities have direct and positive experience which we want to draw to the Review Team's attention.
36. The current relocation debate has put a spotlight on the significant range of DfES national policy functions originally relocated to Sheffield in the early 1980s. We do not have quantified evidence of the economic impact, but the following narrative demonstrates an impact similar to the "decision taking magnet" effect so noticeable in London:
- ## The University for Industry, the Sector Skills Agency and a number of industry skills organisations chose locations in Sheffield for proximity to the relevant policy functions.
  - ## Businesses with contracts from DfES - e.g. conference organisers, developers of training materials etc - located in Sheffield to maximise their market opportunities.
  - ## A cluster of small spin out businesses and consultancies has grown up in Sheffield started by staff leaving DfES.
  - ## The public sector organisations in Sheffield and its region have been able to recruit or take secondees from the Senior Civil Service - significantly widening the expertise available in the local labour market.
  - ## Local residents recruited into DfES have acquired policy skills and national horizons not normally found in the workforce of regional cities - which are fed out into the local economy through natural turnover.

37. Turning to "intelligent delivery" functions we have been able to quantify the impact of the MOD Procurement Agency relocation to Bristol in 1998 in more detail. This is attached as Annex A - but the key point, in addition to the additional spending power from MOD and its staff, is that the relocation led to a significant inflow of MOD contractors to locate on nearby business parks - the current analysis identifies 700-800 jobs new to the area.
38. Among all the public sector functions researchers point to Research & Development as having the greatest potential for catalysing economic step change. Public sector R&D is usually segmented into the Higher Education and Departmental categories. The first of these lies outside the PSRP but the Core Cities are assuming that Departmental R&D is covered.
39. ONS figures show that 83% of Departmental expenditure on R&D is located in the London, South East, Eastern and South West Regions. The paucity by comparison of such expenditure in the Midlands and Northern regions is often cited by commentators and researchers as a key determinant of their lower economic performance.
40. By contrast the most successful Continental cities point to the ways in which a critical mass of public research has acted as a catalyst for private research and subsequently as a magnet for the higher level functions of major businesses. While in some countries - such as Germany - this pattern has been long established the French experience shows how relatively recent government decisions on decentralisation have led to the location of key R&D functions in cities such as Toulouse with important economic consequences.
41. In recent years detailed cases have been assembled to demonstrate the potential economic impact of the Syncatron Project for North West Region and the European Spallation Source Project for Yorkshire and Humber Region. The former project was eventually located near Oxford while the latter has yet to reach a decision point.

#### The viability of policy functions located outside London

42. This submission has already highlighted at length the evidence that the higher level public functions currently make London a "decision taking magnet" within the public sector and for the knowledge economy as a whole.
43. Two main reasons are usually advanced for the continuation of this London-centric concentration of higher level functions.
44. First, it is said that in constitutional terms the Government has not yet accepted a case for different standards and features of local service delivery in the English regions - as it has done in the devolved territories. Therefore, the argument runs, policy is inherently national and cannot be devolved below national level.

45. Second, it is argued that national policy inevitably losing its quality if decentralised and undertaken away from London where communications with Ministers and other policy makers become weakened by distance and a less cohesive culture.
46. We see the picture differently.
47. We entirely accept and endorse the argument that the essential strategic functions of national governance should be located close to Parliament where face to face contacts are immediately available as and when major events unfold quickly.
48. Equally we accept that the present stage of devolution in England requires conformity of standards and key features in local delivery.
49. But between these "bookends" we take the view that the constitutional and administrative landscape has changed fundamentally over the past decade. There has been a deliberate and significant expansion of the regional tier - Government Offices for the Regions, Regional Assemblies, Regional Development Agencies etc. These developments have not reached conclusion. New sub-regional bodies - Learning and Skills Councils, Business Links - play key roles in delivering on the Government's goals. The modernisation of Local Government, Local Strategic Partnerships, Neighbourhood Renewal are all initiatives designed to enhance service delivery and create greater prosperity and inclusiveness.
50. These new institutions have been paralleled by the growth of "joined up" strategies and delivery plans requiring institutions to work more systematically together.
51. Government has increasingly recognised the need to re-focus policy and policy delivery to reflect the different circumstances of regions and localities - recognising also that the new institutions and strategies have themselves articulated these differences more persuasively than their predecessors.
52. Policies badged as 'national' are therefore in practice increasingly taking on different characteristics in different regions and localities. The Sustainable Communities Action Programme is perhaps the most notable example to date of a national policy which breaks down into very different regional consequences at a high level of concept - i.e. what has to be done in each region represents a 'policy' challenge of a high order.
53. Some commentators claim that the continuing centralisation of the whole policy process is in fact working against the quality of policy simply because centrally based policy makers cannot effectively grasp the range of different situations which their work has cover. Again the message is

that there is a significant regional (and sometimes also local) task of policy adaptation and refinement.

54. We therefore argue strongly that the PSRP represents a pivotal opportunity for a radical reassessment of the national policy function with a clear goal of separating out the genuinely strategic functions and assessing what should realistically be devolved to regional bodies or below.
55. But this approach also requires the means to break out of the current culture which asserts the pre-eminence of London as a location for effective decision taking.
56. Our assessment is that this assertion is upheld by self-fulfilling attitudes and behaviour. As long as the major decisions are seen to be taken in London ambitious staff will take London jobs - with the result that an expertise gulf has developed between London and regional locations. In this situation it is not difficult to claim that work done in London is, by the values of the London culture, done "better".
57. A more realistic comparison is with the policy functions located in Sheffield for the past 20 years. The decentralisation of a major area of policy with a range of senior posts to the highest levels prompted significant numbers of ambitious staff to move their families to Sheffield. In that period Sheffield was effectively a "decision taking magnet". Subsequent changes have clawed back the big decisions to London. But the pool of well qualified policy staff remains in Sheffield -which has enabled more functions in DWP, DTI and Home Office as well as DfES to be relocated there.
58. Similarly we are not convinced that a Department fully committed to modern ICT communications will suffer significantly from relocation. DfES itself can point to examples of individual Ministers who attached high importance to briefing via video links. We understand that the Department for International Development has a strong tradition of inducting new Ministers into a culture of ICT. DfES staff in Sheffield also point to the ways in which operational units are now frequently spread across more than one location - and management styles have progressively adapted to suit these circumstances.

#### The human dimension of relocation

59. While the relocation debate highlights advantages in easier recruitment of mainstream and supporting staff strong voices argue that it is very difficult to persuade higher level staff to relocate away from London.
60. We would entirely agree that if people perceive their career to be within the Civil Service as now defined, and in circumstances where the higher level Civil Service posts are overwhelmingly concentrated in London, it is

quite natural that ambitious people should want to develop their careers and their family life in London.

61. However it is notable how senior Civil Servants who have moved their homes to Sheffield now attach greater importance to their quality of life than to the prospect of competing for more senior positions which require a move back to London. Shorter travel to work times also enable staff to undertake more community and social functions - e.g. as school governors - with long term benefit for the City and practical feedback into the policy function.
62. But we recognise the need to provide a longer term solution to this issue. We suggest this should come through a redefinition of the current concept of a Civil Service career - broadening this out into a Public Service career. This would mean that Civil Servants would have the opportunity - and for ambitious people the expectation - of serving in the other major arms of the public sector. So in practice a Civil Servant relocating to a regional city to take up a senior post in, say, the Government Office would see beyond that to opportunities of jobs in City government, the universities, the hospitals etc. In practice individuals follow this route now - but as an exit strategy from the Civil Service rather than as a systematic progression within a recognisable Public Service career. We would expect the Cabinet Secretary to emphasise the fundamental value of such a career route in terms of future candidature for top Civil Service posts.
63. We would welcome the opportunity to pilot such a system in one or more Core Cities.

#### Segmenting the public sector "map" for relocation

64. We now return to our four key segments of public sector functions and assess their potential for further relocation.
65. Policy. We have described at length the arguments we advance for challenging existing assumptions that significant policy functions cannot be devolved or decentralised. The implications of our case is that policy should be considered for relocation in two ways.
- ## First, "horizontally" - i.e. examining functions such as Planning, Housing, Transport and redefining a smaller strategic core which is national, with a presumption that significant functions can now be devolved to Government Offices and developed to meet particular regional or local circumstances. This process would further raise the responsibilities of Government Offices. It would also be consistent with, although not dependent on, any future move to elected regional institutions or greater devolution to local government.
  - ## Second, in "discrete blocks" - i.e. identifying discrete policy areas which although continuing to have a national focus do not require a London location - and indeed might draw strength from greater proximity to the

point of delivery. The Neighbourhood Renewal Unit in ODPM or the Standards and Effectiveness Unit in DfES are practical examples - but the principle of relocation from London could and should also be applied to larger policy areas such as the Health functions now in Leeds and the Learning functions now in Sheffield.

66. "Intelligent Delivery". While 'policy' is a well understood term 'intelligent delivery' is probably less so. By this we mean the functions of central government where a clear accountability has been devolved to a discrete organisation to refine, develop and deliver a major area of policy. Such organisations may be within the Departmental structure as an executive agency - e.g. Jobcentre Plus within DWP - or as arms length 'non-departmental organisations' - e.g. the Learning and Skills Council's role in delivering a major swathe of DfES policy.
67. Although many such functions are now located away from London the "Public Offices" section of Whitaker's Almanac 2003 shows a long list of such functions still located in London. There is not obviously a compelling case for locating in London bodies such as the Audit Commission for Local Authorities and the National Health Service or the Certification Office for Trade Union and Employers' Associations - the first being concerned with locally delivered services and the second with the representation of people and organisations in all parts of the country.
68. The Core Cities recommend that in future relocation from London should be the norm for "intelligent delivery" functions organised around discrete organisational units and accountabilities.
69. Research and Development. We have commented above on the weight of evidence which shows the potential economic advantages flowing from public R&D establishments. We comment here on the absence of specific reference to this area of the public sector in the PSRP briefings - despite the clear concentration in the south east. We will therefore be particularly interested to hear how the issue of decentralising R&D has featured in the Review Team's dialogues with Departments. We can point to the prominence this issue is receiving in the PSA work on regional economies and the ODPM-led work on cities as evidence of its relevance to the economic thread of the PSRP remit.
70. Back Office and Customer Contact functions. The economies of major cities contain many 'back office' functions - functions which support the delivery of organisational goals rather create or drive forward those goals - in both the public and private sectors. Relocation of such functions from London has played an important role in bringing significant numbers of jobs to communities where traditional industries have declined. One of many examples of successful relocation of such functions is the DfES personnel and accounting functions in Runcorn.

71. The Core Cities attach importance to the future contribution which further relocation of back office functions can make to regeneration and job creation in a wide range of communities. However we take the view that there is a stronger policy case for relocating these functions to smaller cities and large towns than to Core Cities.
72. Finally we make the point that relocation of these functions can provide an opportunity to re-think their make-up and culture. Moves to develop as centres of excellence not only raise the profile of the operation and increase its sustainability - but also increase the opportunities for wider economic impact.

#### Positioning Core Cities in the relocation debate

73. So far in this section we have referred to cities mainly by implication. We therefore need to conclude with a more specific analysis. The economic section of our submission concluded by emphasising the scale of step change required if the Core Cities - as the principal English cities outside London - are to close the current gap on their Continental and US counterparts. We said that recommendations by the PSRP to relocate a critical mass of higher level functions to the principal regional cities would make a major contribution to this process.
74. We argue here that the largest regional cities are the natural locations for relocated policy and "intelligent delivery" functions - as is already demonstrated in our main competitor countries. Large cities possess specific assets relevant to these functions - a large pool of well qualified staff, a sophisticated commercial property market, high level and specialist functions undertaken local universities, hospitals etc, a communications hub, sophisticated lifestyle opportunities, a housing market varied and large enough to absorb the inflow of relocated staff.
75. The largest cities also have the scale of assets to absorb a critical mass of relocated functions so that the advantages of 'clustering' can develop as happens in private sector practice - enabling public functions to develop working links with academic and business partners.
76. We recommend that the PSRP report addresses the advantages of developing a 'reference book' of assets possessed by each of the Core Cities and also other regional cities to aid the development of relocation business cases.

#### **Key Messages for the PSRP**

- €# The Government's devolution and decentralisation agenda is still at a formative stage in the English regions

- €# Public sector functions can be broadly segmented into policy, "intelligent delivery", research & development, and back office/customer contact.
- €# Contrary to the assumptions of earlier relocation reviews policy and "intelligent delivery" functions can have significant economic impact.
- €# Current assumptions about what is national policy and why it has to be done from London are not sustainable given the devolution and decentralisation changes which have already happened.
- €# There is sufficient experience which can be tapped to show the viability of relocating higher level functions from London.
- €# The current concept of the Civil Service is a limiting factor on relocation.
- €# The largest regional cities possess the assets and scale necessary to develop clusters of higher level public functions relocated from London.

### **Core Cities Recommendations to the PSRP**

- €# The PSRP report should seek to shape the further development of the devolution and decentralisation agenda.
- €# The economic impact of higher level functions should be robustly described, drawing on the evidence provided by the Core Cities.
- €# The concept of 'policy' should be redefined in the light of recent regional and local changes - identifying a smaller range of truly strategic functions and devolving much of the remainder to the regional (and perhaps partly also to the local) tier.
- €# Discrete blocks of the remaining national policy functions should be assessed for relocation outside London.
- €# The current Civil Service career should be broadened into a new Public Service career - which might be piloted in one or more of the Core Cities.
- €# "Intelligent delivery" functions should be relocated from London as the norm.
- €# Back office and customer contact functions bring important benefits to areas where there is a jobs deficit - but these functions may bring greater advantages to smaller cities and to larger towns than to Core Cities.
- €# The economic impact of research & development establishments is potentially very large and the PSRP report should give this due weight.
- €# The largest regional cities - including specifically the Core Cities - should be positively recommended as the locations for a critical mass of higher

level public functions and a 'reference book' of city assets should be drawn up to inform business cases for relocation.

## **Making relocation work for Government**

77. This submission has urged the Review Team to take a radical and proactive approach to relocation. The Core Cities feel strongly that the PSRP remit provides a fundamental opportunity for the Government to take a further bold step in its agenda of constitutional and administrative reform. But we are also aware that the Review Team itself has pointed out the scale of the challenges involved in breaking out of the mindsets which have constrained the outcomes of earlier relocation initiatives.
78. We therefore want to conclude our submission by highlighting three overarching policy frameworks which, in our judgement, have very strong mutual resonance with the PSRP remit.
79. In our view the weight and priority given to these three frameworks at the top of the government machine will determine the robustness of the context into which the Review Team will be making its recommendations. This factor could make the difference between the Review being seen as a major move forward in the constitutional reform agenda - or alternatively simply a vehicle for moving a given number of jobs out of London.
80. Equally we take the view that a radical set of PSRP recommendations could greatly assist in making faster progress on these three critical but challenging policy frameworks. So there is much mutual advantage to be found.
81. Finally we also suggest a short set of generic "rules" which in our view would significantly strengthen the presentation of the PSRP report's treatment of the recommendations we have made in this submission.

### Positioning the regional economic performance PSA Target at the heart of the Government's overall programme as a defining challenge

82. Our submission has given prominence to the economic geography of the UK - the long standing regional disparities, the evidence that these are now widening further, and the analysis from the Local Futures Group that the concentration of high level public policy and service functions in and near London is playing a significant role in reinforcing this London-centric concentration of wealth and competitiveness. The Core Cities see the regional economic performance PSA Target as critical for achieving the Government's overall goals for economic growth and social equity. To that end we are working closely to support the PSA Team's efforts.

83. The resonance with the PSRP remit flows from the conundrum that the concentration of higher level public functions in London works against the PSA Team's objective - but the current regional disparities enable Departments and public agencies to argue persuasively that London alone provides an efficient base for their operations. Changing these perceptions requires clear evidence of the priority the Government attaches to the regional PSA Target and its determination to use all relevant levers, including key relocations, to achieve this goal.

Creating a modern "map" showing how devolution, decentralisation and service improvement are changing the shape of governance and its contract with the citizen

84. We have made clear in this submission the importance the Core Cities attach to the Government's long standing commitment to constitutional and administrative reform - and our support for the many initiatives now in place or in train to give effect to this agenda. But we also recognise that the sheer scale and breadth of this agenda is bringing change simultaneously in many areas of governance and service delivery. It is very much in the interests of the whole public sector that the overall changes these developments bring in the relationship between state and citizen is fully understood at each stage of the process.

85. We see a strong resonance with the PSRP remit in that Departments and public agencies need to be clear and confident about the overall shape and progress of these governance and service changes if they are to make significant commitments to relocation. The specific suggestions we have put forward in this submission - e.g. further devolution of functions to the Government Regional Offices, developing 'clusters' of policy work in the main regional cities, and developing a more systematic 'public service' rather than simply 'civil service' career route. - require a clear "map" of the overall reform agenda if they are to be given serious attention.

86. So, again, we are highlighting that the priority, progress and clarity given to an overarching policy framework - in this case devolution - will determine the context in which PSRP recommendations are assessed. This will be a particularly critical factor in regard to recommendations to relocate higher level functions.

Recognising the pivotal role of cities as the levers for regional economic performance and the critical tests for policy and service delivery

87. Our highlighting this as a 'critical success factor' for the PSRP in no way represents special pleading by the Core Cities. As this submission has shown cities are the key determinant of regional economic performance. Cities also have the greatest concentrations of population, and in consequence the greatest range of challenges confronting governance and service delivery. Regional cities here have significantly less freedom to manage their affairs than counterparts in competitor countries - and on most economic performance measures they lag behind their counterparts.

88. And yet the main English cities outside London currently have a very low profile within central government. Recent research conducted from ODPM showed that few Whitehall policy makers saw cities as significant for their objectives, or had any detailed understanding of how their policies addressed the particular challenges which exist in cities.
89. Again we are pointing to a mutual resonance between the PSRP remit and an overarching policy goal. But the challenge here is particularly significant. This submission has argued that for a whole range of reasons the greatest benefits from relocation of the higher functions of policy will flow from location in major cities. But this approach is unlikely to attract strong support from Departments as long as the regional cities themselves occupy positions on the margins of the Whitehall radar screen. We have already highlighted Invest UK's advice that the regional cities struggle to compete for investors' attention with London's reputation - we are now saying that this same situation is working against the PSRP's remit in the public sector.
90. We therefore see considerable advantage for the PSRP if the Review Team's report unambiguously draws Whitehall's attention to the pivotal role the regional cities must play in achieving the Government's economic and social goals, the work now in progress under ODPM leadership to develop a policy framework capable of closing the gap between the English regional cities and their overseas counterparts, and the significant benefits for economic growth and the links between policy and delivery which can accrue when higher level public policy and service functions are located in regional cities.

#### A set of "rules" to guide location decisions

91. The arguments developed in this submission lead logically to the development of a set of "rules" against which location issues can in future be assessed. We assume that the PSRP will itself be thinking along similar lines so we confine ourselves here to a minimalist approach which the Review Team may want to flesh out further. In particular our list does not attempt to cover first order issues such as relative locational costs as these are already firmly lodged in the relocation frame of reference. On this basis we suggest the following "rules":
- ## A presumption that the location of all public service functions will be determined by greatest proximity to the level of delivery.
  - ## A requirement that location decisions be tested for potential economic impact, the added value to be gained from a critical mass of functions and potential clustering with academic and business partners, the ease of communications, and the strength and scale of the local asset base.

- ⌘ A requirement to test the need for any form of centrally located functions.
- ⌘ Where there is a need for a central function there should be no presumption that this has to be located in London.
- ⌘ All functions that are proposed for a London location should be subject to rigorous tests to establish their strategic and accountability content, and demonstrate persuasively why another location would carry unacceptable disadvantages.
- ⌘ All location proposals should demonstrate how advanced ICT techniques will be used to reduce the requirement for staff travel.

### **Key Messages for the PSRP**

- ⌘ A radical approach to relocation will need to be firmly based within a set of overarching policy frameworks which reflect the Government's overall goals - otherwise there is a risk re-location will be simply seen in terms of 'job numbers'.
- ⌘ The Core Cities see three overriding policy frameworks where there is a significant resonance with the PSRP remit.

### **Core Cities' Recommendations to the PSRP**

- ⌘ Relocation of higher level functions from London would make a significant contribution to (a) the regional economic performance PSA Target, (b) the devolution and decentralisation agenda, and (c) the ODPM-led work to raise the performance and profile of the main regional cities.
- ⌘ The Core Cities' overall recommendations point towards also propose a set of "rules" to assess future location decisions - emphasising proximity to delivery, the need to question the need for central functions and London locations, and the need to maximise ICT over staff travel.

Birmingham City Council  
 Bristol City Council  
 Leeds City Council  
 Liverpool City Council  
 Manchester City Council  
 Newcastle City Council  
 Nottingham City Council  
 Sheffield City Council

September 2003

### **ANNEX A - MOD Procurement Agency**

There have been no specific studies on the effects of the inward locations to Bristol over recent years. The largest of these was the move of the Ministry of Defence Procurement Agency to Abbey Wood in 1998. A move by the Planning Inspectorate to Temple Quay in 2002 is too recent for any long-term effects to be identified.

The impact of the MoD location has been considerable:

1. Local agents reported an up-surge in occupier interest in nearby business parks following the relocation and have claimed that this was a result of MoD contractors seeking to co-locate. 6-10 companies have relocated to the Bristol area, mostly to the Bristol Business Park, including Thales Naval, SEA Systems, Lockheed Martin, DPMT Training, Vega, Thomson CSF Naval Systems, and, more recently, Northrot Gumman. These have generated a total of 700-800 jobs, although most of their employees have moved in with them. This is probably due to the fact that the companies are leading edge defence contractors employing highly skilled staff. Other companies that require a lower level of specific skills and training could possibly employ a larger proportion of local staff. A number of the companies have moved to Bristol because they are bidding for MoD contracts. If successful, they are likely to create more jobs (engineers, technicians, etc), although there is no guarantee that these will be in Bristol.

The expenditure of MoD (and Thales, etc) staff will support other employment in the area. This could approximate to a further 2,000 jobs assuming a multiplier of 1.3 (such a ratio has been used in assessing the economic impacts of airport development).

In addition, the MoD relocation has substantial links with major companies already located in North Bristol, including Rolls Royce, BAE and Airbus.

2. Of the approximately 6500 jobs provided by the MoD at Abbey Wood to date, approximately half were filled by transfers from Bath, and the highly skilled nature of many other jobs (estimated at around 2000) means that they have also been accounted for by transfers rather than by local recruitment. A large number of vacancies were still filled locally and local residents will begin to gain more access to MoD jobs over the future through the normal process of staff turnover.

3. The relocation of the MoD to the North Fringe has had a major impact on traffic flows. Between 1991 and 2000, traffic in the North Fringe increased by 40% with a rise of 7% in 1996 corresponding with the opening of MoD and Axa Sun Life. Although the MoD contributed to creating a new train station at Abbey Wood, they also have 4-5000 car parking spaces, which have contributed to this increase in traffic flows.

4. MoD employment led to increased housing demand due to the estimated 2000 people relocating here. Any major relocation can be expected to have a similar effect.

5. Government office relocations and the financial security provided, as with any other major 'blue chip' relocations, could act as a catalyst in progressing regeneration. Government office relocations could underpin the viability of a major development and allow the remainder of a large scheme to progress despite uncertainties about future occupiers.

The Abbey Wood site falls within the territory of South Gloucestershire Council. The Council is unlikely to be interested in further large scale relocations, since these could lead to further overheating of an already congested area, particularly with the impact on traffic flows. However, there are other areas of the city region that could potentially profit by such relocations, particularly Weston Super Mare, Bath and South Bristol (e.g. Hengrove). For the former, such a relocation could contribute greatly to changing the image of the area and so have a potentially much greater effect on the economy, making the area much more attractive to other businesses.