

Time to move out

Breaking Whitehall's grip on the civil service



ONWARD >

About Onward

Onward is an independent, not-for-profit thinktank, registered in England and Wales (Company Registration no. 11326052).

We believe in a mainstream conservatism – one that recognises the value of markets and supports the good that government can do, is unapologetic about standing up to vested interests, and assiduous in supporting the hardworking, aspirational and those left behind. Our goal is to address the needs of the whole country: young as well as old; urban as well as rural; and for all parts of the UK – particularly places that feel neglected or ignored in Westminster.

We do this by developing practical policies that work. Our team has worked both at a high level in government and for successful thinktanks. We know how to produce big ideas that resonate with policymakers, the media and the public. We work closely with policymakers of all parties to build coalitions of support. Most importantly, we engage ordinary people across the country and work with them to make our ideas a reality.

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Endorsements

Eddie Hughes MP, Parliamentary Under Secretary of State at the Department for Levelling Up, Housing and Communities

"This is a valuable report, which highlights the further work still needed to move more of our people out of London as we focus on levelling up.

However, I am pleased that as a department, we now have a third of our people working outside London, up from 23% in March 2020, and our plans are to go much further. Our levelling up programme will move more high value jobs with good career prospects closer to the communities we serve.

I am very proud of our second headquarters in Wolverhampton which we opened last year. We already have 215 civil servants based there, including senior civil servants, and ministers including myself working there regularly. We are still recruiting and working closely with the local community to make this project a huge success."

Andy Street, Mayor of the West Midlands

"The effort to redistribute civil service jobs has been vexatious for decades. However given the political commitment to "Levelling Up", finding a way to do this well is now both urgent and important.

Bringing together the brains of Departments with businesses in critical sectors, as has been done in the housing industry through DLUHC's second HQ in Wolverhampton, is a model we need to see far more often.

This report carefully describes just how much more is still to be done. It should be a real "call to action"."

Jamie Driscoll, Mayor of the North of Tyne

"If levelling up feels like rowing against the tide, it's because all the big decisions still happen in London. When places like Newcastle see ministers, it's in hard hats for photo opportunities. We've proven that regional Mayors are good at creating jobs and landing investment. If we had ministers working here for a week every month, we'd finally be in touching distance of joined up government that can deliver levelling up.

The proposal to have senior civil servants based in areas like the North of Tyne is sound. It's better value for money for taxpayers – top quality office accommodation is a fraction of the price it is in London. Civil service relocation must include the top officials, not just the back-office admin staff.”

Miriam Cates MP, Member of Parliament for Penistone and Stocksbridge

“Where civil servants work matters to our economy and our culture. There is no practical reason why decisions about health spending or taxation need to be made in Whitehall and not in Sheffield. In fact, Government will make better decisions if those developing policy are exposed to the challenges of the entire country, rather than the issues that matter to London. We need to accelerate civil service relocation to support the Government’s ambitions to level up.”

Jo Gideon MP, Member of Parliament for Stoke-on-Trent Central

“This important report makes clear that there is still much work needed for government to deliver on its commitment to spread clusters of high level civil service jobs across the country.

It illustrates that to rebalance the UK’s economic geography we must bridge the cultural differences and values between government decision makers and those affected by those decisions.

Only by being based in areas of the country like Stoke-in-Trent with the biggest challenges can those making spending decisions hope to fully understand the impact of policies on those areas.

Delivering equality of opportunity, one of the key pillars of the levelling up agenda, depends on the success of a fair, comprehensive relocation strategy.”

Peter Gibson MP, Member of Parliament for Darlington

“As the MP for Darlington I am delighted that Treasury, DIT, BEIS, ONS and CMA are locating parts of their teams to Darlington in addition to the existing DFE roles in my constituency. Providing real opportunities to go far but stay local is a key element of our levelling up agenda and Darlington is quickly becoming a poster child for the revolution that our Government is implementing as we build back better. Good progress has been made, and this report shows how important it is that we redouble our efforts on this agenda.”





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Summary of the argument





At the heart of the levelling up debate is a question about how - and on whose behalf - government takes decisions. The EU referendum and 2019 general election exposed how many people in less prosperous places feel policy decisions have, at best, neglected their interests and, at worst, actively worked against them. In response, politicians of left and right have argued that the process of government needs to change to better reflect the plurality of values in the UK and the difficulties faced by less well-off people and places.

The recently published Levelling Up White Paper argues that one of the best ways they can change the experience and values that drive government decisions is by changing *where* decisions are made. By relocating senior civil servants to Darlington, Wolverhampton and Newcastle, they hope to make Government more attuned to the needs of those places, and places like them, and less London-centric. As Michael Gove has asked: “Wouldn’t it be better for those deciding how taxpayers’ money is spent to be living and working alongside those citizens across the country, from Mansfield to Middlesbrough to Merthyr Tydfil, for whom every pound in tax is a significant inroad into their income?”

But while there is a healthy academic literature on the spillover effects of different types of public funding, the evidence on economic and cultural spillover effects from government relocation is less developed. Does it matter where government decisions are made? What is the evidence from previous attempts at relocation? And, if so, how can Ministers succeed in dispersing the organs of the state to different parts of the UK - to both support higher levels of regional economic growth and reduce the cultural distance between those governing and those governed? This paper intends to answer those questions.

Our core finding is that, despite warm words and good intentions, efforts to decentralise the civil service are going backwards. In particular, we reveal that:

- Since the 2018 Government Estates Strategy committed to “create clusters of government jobs and expertise in cities across the UK”, the number of civil servants has grown twice as fast in London (22%) as in regions outside London (11%). In total, 34% of additional civil servants recruited in the last three years were based in London, compared to 23% for the North of England and just 10% for the Midlands.
- This means that the civil service today is nearly as London-centric as it was 45 years ago. In March 2021, 22% of UK civil servants worked in London, compared to 23% in 1976. More than 100,000 full-time equivalent civil servants are now based in the capital, up from 86,600 when Labour swept to power in 1997. In London, there are more than 3 additional civil servants per 1,000 employees and more than 5 more officials per 1,000 working-age adults compared to the average for other English regions.

- This follows a longer run trend. Since 2006, the civil service has increased in size by 3% overall, but the vast majority of the increase was felt in London. Between 2006 and 2021, total civil service headcount rose by 50% in London, 12% in Wales, 10% in Scotland, and 3% in the North West. In the East Midlands (-3%), Yorkshire and Humber (-4%), West Midlands (-5%), North East and East of England (-12%), South West (-13%) and South East (-18%), numbers fell.
- The senior civil service (SCS) is particularly London-centric. In 2021, 64.5% of the SCS was based in London, up from 60.1% in 2015. The share of officials at Grade 6 and 7 (the next most senior ranks) in London has risen from 41% to 44% over the same period. This means that London has 5 times the rate of Senior Civil Servants (as a share of civil servants) as any other region of the UK (4.6%), and 4 times as many officials ranked Grade 7 or above (32%).
- The civil service fast stream has taken steps to diversify in recent years, particularly with regard to ethnic, gender and disability recruitment, but has not done so with regard to geography. In 2021, 41% of applicants were from London and the South East and 47% of those recommended for appointment were from the same regions. The fast stream received fewer applications in both absolute terms and as a share of all applications from the North East, North West, East Midlands and West Midlands in 2021 than two years earlier.

At the core of the Levelling Up project is a commitment to rebalancing the UK's economic geography. Yet the institutions that are most market-facing and hold the levers to reshape the economy are some of the most entrenched in London.

- Since the Treasury's Darlington Economic Campus was announced in March 2021, the Treasury and Department for Business, Energy and Industrial Strategy (BEIS) have hired nearly three times as many officials in London as outside. Well over 9 in 10 civil servants in HM Treasury, BEIS and the Department for Digital, Culture, Media and Sport are currently based in London.
- Excluding Ofwat, every economic regulator and most commercial functions of government, such as the Crown Commercial Service, the Government Digital Service and UK Export Finance, are headquartered in Whitehall, the City or Canary Wharf. At the same time, London-based companies are awarded twice the value of central government contracts and are twice as likely to benefit from trade finance and insurance from the UK Government.

If the Government is serious in its desire to shift the centre of economic gravity of the UK, ministers will need to be much more ambitious in their efforts to disperse the civil service to different regions. The approach started so far - combining different government functions on regional campuses - is the right one. But history shows that progress will at best be temporary unless the Government is prepared to go much further than its predecessors. To achieve lasting change, we recommend that:

1. Ministers should prioritise the relocation of Government's market-facing or commercial functions out of London, in line with its "levelling up" ambitions. There is no reason why the Government Digital Service, UK Export Finance, and Advanced Research and Invention Agency should be headquartered in London. The Government should also review the location of regulators, such as Ofcom, Ofgem, the Financial Conduct Authority and the Competitions and Markets Authority, to ensure they reflect the economic geography of the industries they regulate.
2. Every government department should be required to publish regional projections for civil service headcount and floorspace over the current Spending review period, with an expectation that no department will have more than two-thirds of staff or office space in London by 2030. This should include non-departmental public bodies, arms-length bodies and independent regulators as well as the core civil service. Progress against these projections should be published openly as league tables to create meaningful accountability.
3. Departments that miss their projections for staff dispersal in any given year should adopt a "one-in-two-out" rule for recruitment, whereby they cannot advertise for an additional London-based role until two roles have either been relocated or recruited outside London. This should apply to senior civil servants and lower grades separately, to prevent departments recruiting for lower grade staff outside London in order to recruit more senior officials in London.
4. To lead from the front, government ministers and permanent secretaries should publicly commit to work from regional campuses at least one day a week - or one week per month - and meetings of Cabinet should take place in every region of the UK at least once a year. The Cabinet Office should publish an annual report outlining adherence to these public commitments, using the official diaries of ministers and permanent secretaries to understand where they have been working.

5. The civil service should reform recruitment and promotion to better reflect regional diversity. The civil service should move the majority - or even the entirety - of civil service fast stream assessment out of London, following the success of the first centre in Newcastle in 2017. This would not only reduce the reliance on the capital for talent, but would send an important signal about the direction of travel. It would also save money. At the same time, Senior Civil Service promotion should be contingent on applicants having worked outside London, either at a HMG regional campus or for another public institution based outside the capital.

6. The Government should significantly expand the number and size of its regional campuses, to accommodate much greater dispersal out of London and support co-location with local and regional government. Over the long-term, the Government should encourage greater use of flexible working, combining remote and office-based work at regional campuses, in line with the practices being adopted by technology and professional services firms.

A losing battle?

The history of civil service dispersal





On Monday 4 September 1939, the day the Second World War broke out, three trains left Paddington station destined for Bath in the South West, Harrogate in Yorkshire, and Southport on Merseyside. They were each carrying 600 civil servants, under contingency plans in the event of a possible German invasion. It was the first time that Whitehall departments had given serious consideration to governing Britain from its regions, rather than from a single postcode in Westminster. When the war ended, one of the signs of normality returning was the sight of civil servants coming back to London.¹

But a precedent had been set. As Kenneth Baker put it in 1973, “dispersal of central Government work is a uniquely 20th century concept. The whole thinking right up through the great Victorian administrative reforms was essentially based upon the centralist philosophy.”¹ In the post-war period, every government given long enough in power - Macmillan in 1962, Heath in 1972, Thatcher in 1988, Blair in 2004 - has come to the conclusion that one of the most significant constraints on government efficiency and effectiveness is the concentration of decision-making in Whitehall. Yet as the Institute for Government has shown, efforts have often “fallen short of ministers’ ambitions” and the civil service has repeatedly reverted to a centralised model.²

Rebalancing the post-war economy in the 1960s

In 1962, Harold Macmillan asked Sir Gilbert Flemming, a former Permanent Secretary at the Department for Education, to consider how to disperse Government offices from London to other parts of the United Kingdom. The rationale of the review was similar to that today: economic rebalancing and, to some degree, government efficiency. In Parliamentary debates on the issue, one MP justified relocation on the basis that “of the 750,000 new jobs created since 1951 more than half have been in the London area.”³ Others argued that dispersal would reduce pressure on land, increase government efficiency and address unemployment and hardship in lagging regions.⁴

The subsequent 1963 Flemming Review identified 57,000 roles that could move and recommended the dispersal of 18,000 jobs initially, including the National Savings Bank to Glasgow, the Mint to Llantrisant, the Savings Certificates Division to Durham and part of the Department of Education and Science to Darlington. The Government also set up the Location of Offices Bureau, which subsequently oversaw the movement of a large number of clerical and administrative jobs out of London. Despite a change of government in 1964, these plans were largely enacted, with around 22,500 roles successfully dispersed by 1972 - of which 70% went to assisted areas - and 9,490 new posts created outside London.⁵

The search for savings in the 1970s and 1980s

In 1973, the Heath Government asked Sir Henry Hardman, another former Permanent Secretary, to carry out a further review of posts in 50 government organisations. Out of 80,000 London posts examined, Hardman recommended the dispersal of around 31,000 - 40% - to different regions. The review made clear that the dominant financial benefit of dispersal was the cheaper market value of office space outside London and the South East.¹ The Lord Provost of Glasgow and the North of England Development Corporation wanted significantly more than 40% moved out of London while the TUC and CBI objected to moving the Manpower Services Commission to Liverpool (because it was too far from their London-based offices).¹ In the end, only around 10,000 jobs were moved as a result of Hardman's review.⁵

In 1988, under the Next Steps Initiative that established new Whitehall agencies such as Companies House and the Intellectual Property Office, Margaret Thatcher's efficiency adviser, Sir Robin Ibbes concluded that the civil service should be separated into a London-based policy core and a series of regional operational offices to manage different aspects of the state. The rationale for this move was primarily about efficiency: the Government wanted to control administrative costs and make delivery more business-like. But it led to some dispersal: around 19,000 posts were relocated or established outside the South East by 1993.⁶

Aligning the civil service with devolution and public service reform in the 2000s

In 2004, Gordon Brown and John Prescott asked Sir Michael Lyons, a former local government executive, to review the pattern of government around the United Kingdom. Lyons identified around 20,000 posts which could be dispersed from London to support the Government's objectives of reforming public services, tackling regional economic disparity, boosting national competitiveness, and devolving power - and generate savings of more than £2 billion over 15 years. This included the relocation of the Office for National Statistics to Newport from 2007. By March 2010, the program had ostensibly relocated more than 25,000 civil service jobs out of London.⁵ However this was during a period of considerable civil service growth.

In March 2010, the Government published a follow up to the Lyons Review by Ian Smith, the former chief executive of Reed Elsevier. It concluded that "there remains considerable scope for further relocation and a continuing rebalancing of government activity between London in particular and the rest of the country."⁷ The review recommended relocating a further 15,000 civil service jobs from London in the next five years, to generate savings of at least £160 million per annum, or £1.1 billion over the decade.⁷

Civil service consolidation in the 2010s

The last decade has been a period of consolidation rather than decentralisation. Between the 2010 election and the 2016 Spending Review, the civil service shrunk in size by 18%. But while this did lead to relocation, civil servants often did not move very far. The Department for Communities moved from its Eland Place offices in Victoria down the road to 2 Marsham Street, which it now shares with the Home Office, while the Department for International Development moved from opposite Buckingham Palace to Whitehall. This consolidation delivered real gains – around £1.4 billion in capital receipts and annual revenue savings of £625 million – but it was achieved by reducing floorspace by 20% rather than by relocating government to elsewhere in the country.^{7 8}

Moving out to level up – 2018 to today

This is the historical backdrop to the current Government’s attempts to redress the geographical balance of the civil. What is distinctive about this most recent phase of government dispersal – at least since the 1960s – is its focus on using government relocation to support regional and to make the civil service more representative of the country it governs.

These dual objectives are visible from recent ministerial speeches and documents. In the 2018 Government Estate Strategy, for example, the civil service explicitly pledged to “use our estate and the location of our Civil Service to help boost local growth” and “use public sector jobs to support the development of at least three new specialist clusters, in cities with great transport and academic links”, by moving thousands of civil servants and dozens of departments out of London.⁹ This was followed up by the Chancellor of the Exchequer, Rishi Sunak, in his 2021 Budget, in which he argued that “our future economy demands a different economic geography. If we are serious about wanting to level up, that starts with the institutions of economic power”, and, putting his money where his mouth is, announced that HM Treasury would establish a new economic campus in Darlington. And in July 2020, the then Chancellor of the Duchy of Lancaster, Michael Gove, proclaimed the benefits of a more dispersed decision-making culture in his Ditchley Lecture, arguing:

“We can, literally, reduce the distance between Government and people by relocating Government decision-making centres to different parts of our United Kingdom. And in doing so we should be striving to reflect the full diversity of our United Kingdom...”

... And why are so many of those charged with developing our tax and welfare policies still based in London? Wouldn't it be better for those

deciding how taxpayers' money is spent to be living and working alongside those citizens across the country, from Mansfield to Middlesbrough to Merthyr Tydfil, for whom every pound in tax is a significant inroad into their income?"

The Levelling Up White Paper further highlighted the 'large distance between the officials who design policy nationally and those who are affected by them locally.' Commitments on relocation in the white paper formed a key element of the 'reshaping central government decision making' element of the 'systems reform' chapter, alongside proposals on missions, devolution, and data.

This economic and cultural priority marks a departure from previous relocations driven largely for reasons of efficiency and rationalisation, and places a considerable premium on civil service relocation as an ingredient of the Government's "levelling up" agenda. But how far is this motivation well placed? And how successful has the Government proved so far at shifting the balance of civil service out of London? Those questions are the subject of the following chapters.

Civilising the service

The case for civil service relocation





The Chancellor's Budget 2021 decision to locate Treasury North in Darlington divided policy opinion. Some argued that it would fail – either because the experience of previous relocations implied a high upfront cost and limited downstream economic benefits, or because a small town like Darlington would struggle to supply the skills and experience needed to staff the UK's economic ministry.¹⁰ Others, particularly the Chancellor himself, supported the idea on the basis that a post-industrial town would benefit more than a city, and that regional economic policy would be improved from locating economic decision-makers in the town.

The Darlington debate is a microcosm of the much wider discussion about the economic effects of government relocations. In recent years, this debate has often been reduced to one decision in particular – the relocation of the Office for National Statistics to Newport in Wales in 2007, which led to 90% staff attrition and a perceived decline in the quality of official statistics. But how far is that experience emblematic of the wider impact of civil service relocations? And how far does the data support the claim that the ONS' relocation to Newport was a mistake?

This chapter explores the academic and statistical evidence about civil service relocation, and analyses what we know about the impact of the ONS relocation in 2007.

The efficiency argument

Historically, civil service relocations have been driven by efficiency. As Jefferson and Trainor (1996) note, both the 1963 Flemming and 1973 Hardman Reviews were “carefully planned to ensure the most efficient solution from the perspective of operating costs.”¹¹ Successive reviews have given particular consideration to addressing wage and estate costs, and rationalising services which, due to limited interactions with Ministers or Parliament, could be better delivered outside the capital. This is one reason why the organisations relocated have included: the Ministry of Pensions and National Insurance to Newcastle and Blackpool, the Post Office's savings arm to Durham and Glasgow, the Manpower Services Commission to Sheffield, and the ONS and Patent Office to Newport.

The evidence for this argument has always been straightforward: it costs far more to locate civil servants in London than anywhere else in the country. In 2004, for example, the Lyons Review estimated that public sector wages are 26% higher in central London than the UK average and the average cost of a workstation in London was nearly twice as expensive as the rates outside London and the South East.¹² The follow-up Smith Review in 2010 noted that real estate costs in London were more than twice the average in the rest of the country and London comprised more than a quarter of estate costs despite only housing 16% of civil servants.¹³

These estimates are supported by previous experience of civil service relocation. In 1988 the Patent Office announced that they would relocate from London to a new building in Newport, Gwent to obtain savings on accommodation, staff and running costs. A review of the move in 1994 by the National Audit Office reported that the Patent Office achieved accommodation savings of £3.1 million per year and annual staff savings of £2.9 million.¹⁴ These staff cost savings were twice as great as the Patent Office had hoped for. The local labour market proved to be both wider and deeper than anticipated, allowing more posts to be filled with local candidates and more quickly than forecast. The key factor in the significant staff cost reductions proved to be the material improvement in staff retention levels that the Patent Office experienced, with a sharp fall in recruitment and training costs. In 1987, the last full year in which the Patent Office was wholly based in London, staff turnover at service grades was 23%. In 1992-93, turnover for the equivalent grades for Patent Office staff in Newport was a (perhaps worryingly) low 4%.¹⁴

In 2003, the Met Office moved from their base in Bracknell to a new location in Exeter. Lord Newby's concerns about the relocation to Exeter sum up a lot of the reluctance to move government departments out of the South East: "My Lords, is not the truth that this decision will rip the heart out of a world-class body of climate expertise and threaten the chance of a proposed European meteorological office being created near Reading?"¹⁵ But the relocation to Exeter proved successful. In total, 90% of staff moved to the new building, with the Met Office giving plenty of notice and helping staff and their families to find new homes in the area. In terms of impact, the relocation added an estimated £65 million to Devon's GDP each year and boosted the redevelopment of Exeter's city centre.¹⁶

Despite not being the primary driver of current relocation schemes, the same efficiency argument holds today. The Government Estates Strategy 2018 set out to deliver savings of £2.5 billion over 20 years by "delivering modern, fit-for-purpose accommodation across the whole of the UK."¹⁷ This is particularly driven by estate costs, given departments' occupation of real estate in some of the most expensive postcodes in London. According to the Government's State of the Estate 2020 report, the average office cost per person is more than twice as high in London (£7,854) compared to regions outside London (£3,912). Office costs in the next most expensive region - Wales - are more than a third lower (£5,733) per person than in London.¹⁷ This strongly aligns with broader measures of office costs, which suggest that the average workstation was nearly twice as expensive in London as in Nottingham, Sheffield, Preston and Leicester in 2020.¹⁸

Table 1: Total office costs for a 20 year old building in selected UK locations, 2020

Source: Total Office Cost Survey (TOCS), 2020

Location	Net effective rent per sq ft	Rates per sq ft	Total per sq ft	Cost per workstation (100 sq ft)
Edinburgh	£24.03	£7.82	£71.19	7,119
Bristol	£27.47	£6.65	£72.66	7,266
Birmingham	£19.80	£8.93	£67.07	£6,707
Leeds	£20.63	£8.45	£66.69	£6,669
Leicester	£14.03	£5.17	£56.68	£5,668
London Midtown	£41.60	£19.20	£103.91	£10,391
Manchester	£27.13	£8.35	£73.65	£7,365
Nottingham	£16.09	£5.11	£58.91	£5,891
Preston	£8.75	£3.65	£49.59	£4,959
Sheffield	£15.02	£4.51	£56.65	£5,665
Warrington	£14.00	£5.10	£56.92	£5,692

This is not to say that relocation does not have upfront costs. Typically the first few years of a relocation programme score as net expenditure as staff and office transition takes time and money. But in later years they typically generate substantial savings.

Some administrations have hesitated over this investment. In 1979, for example, the Thatcher Government believed that the costs outweighed the benefits, arguing that “the present programme would cost over £250 million during the remainder of the present public expenditure survey period to 1983-84, and we should be well into the 1990s before the benefits from dispersal began to offset the costs.”¹⁹ By the late 1980s, these benefits were deemed worthwhile.

The multiplier argument

The 1973 Hardman Review dismissed the idea that public sector jobs could have a multiplier effect.²⁰ But in the last two decades a limited academic literature has grown examining the multiplier effects of public sector relocations, in the UK and elsewhere and found some positive effects on local employment through additional demand for local goods and services, including retail and hospitality, and consultancy, legal and accountancy.²¹ This has been estimated for a number of large projects and retrospectively analysed by successive studies, particularly those conducted by Henry Overman and Guilia Faggio of the LSE.

Multiplier analysis identifies whether activity relocated to an area has an economic impact over and above the number of jobs directly related to the relocation, minus any jobs lost due to displacement or crowding out. A multiplier value of 1 indicates there was no impact on top of the dispersed activity, i.e. a neutral economic boost, excluding effects not captured by the analysis (e.g. productivity or skills enhancement). A multiplier value of 1.5 indicates that for every two jobs relocated to an area an extra job is created, while a multiplier value of 1.2 suggests that a new job is created for every five relocated jobs.

The evidence from successive public sector relocations in the UK suggests that moving civil servants and departments out of Whitehall has positive multiplier effects, although there can be displacement of existing private sector workers, which is exacerbated when the destination location has a tight labour market.

- In 1988, Ashcroft et al. conducted an evaluation of the impact of the relocation of the Overseas Development Administration to East Kilbride for the University of Strathclyde. Despite identifying high relocation costs, the study found that the move would break even within six years of the move and estimated long-term multipliers on local employment of 1.14-1.27.²²
- In 2004, the Lyons Review commissioned Experian to evaluate the multiplier effects from relocations in the 1980s and 1990s, including the relocation of the Patent Office from London to Newport in the early 1990s, and moving the Department for Health and Social Security (DHSS) to Leeds in 1991. The review stressed the importance of destination locations in driving local multipliers: the short-run multiplier of 1.4 for moving DHSS head office to Leeds and 1.2 for moving the Patent Office to Newport,²³ which fell to 1.3 and 1.0 respectively when displacement (from inflationary pressure on wages, causing employers to cut back staff) was taken into account.²⁴
- In 2010, the Department for Business, Innovation and Skills (BIS) published a discussion paper exploring the impact of public sector employment on private sector jobs from 2003–2008. It found that the effect was highly contingent on local labour market conditions: “where competition for labour is intense, growth in public sector jobs can limit private sector jobs growth.”²⁵ A 2014 study by Henry Overman and Giulia Faggio used this data to estimate the effects of public sector employment, finding that increases in public sector employment have a small but statistically insignificant positive effect on overall private sector employment.²⁶
- In 2015, Giulia Faggio evaluated the civil service dispersal under the Lyons Review.²⁷ This study found that the arrival of 10 civil service jobs led to 5.5 local jobs being created in the private sector. Notably, Faggio also identifies compositional effects from relocation: civil service relocation increased the

provision of locally-produced services but negatively affected manufacturing. Effects were highly localised, with no spillover effects at all 2km or more outside the relocation site and some displacement of service employers to surrounding areas.

Table 2: Multiplier effects of different public sector relocations

Sources: Lyons (2004), *Well Placed to Deliver?*²⁸; Faggio (2015), *Relocation of Public Sector Workers: Evaluating a Place-based Policy*²⁹

Public sector body	Relocated to	Year of study	Multiplier
Office for National Statistics	Newport	1995	1.5
Overseas Development Administration	East Kilbride	1988	1.25
Patent Office	Newport	2003	1
Department of Health and Social Security	Leeds	2003	1.3
Lyons Review	Various	2015	1.55

The evidence therefore suggests that civil service relocation could generate additional private sector activity, although the effects are relatively small compared to other interventions (see, for example, Moretti³⁰) and are dependent on both the functions moved and the characteristics of the destination location (both in terms of the composition of local industry and competition for labour).

This is consistent with international evidence. For example, Faggio et al (2018) study the impact of public sector jobs moving back to Berlin after reunification. The authors find that: “the arrival of 100 public sector jobs into one of the 190 Berlin postcode areas generates about 55 additional jobs in the private sector. There is also evidence of spillovers: the inflow of 100 public sector jobs triggers job creation (36 new jobs) in areas neighbouring the relocation site. These effects come through service sector jobs, while manufacturing employment is not influenced at all.”³¹

An experimental study by Becker et al (2020) evaluates the impact of the decision to make Bonn the capital of West Germany after the Second World War. Using a novel synthetic control method, the authors find that - relative to a control group of cities - Bonn experienced a large increase in public sector employment but only small increases in the private sector, “with each additional public sector job destroying around 0.2 jobs in industry and creating just over one additional job in other parts of the private sector.”³²

Jofre-Monseny et al (2016) examine the expansion of public sector employment in Spanish cities. They find that one additional public sector job creates about 1.3 jobs in the private sector. But this comes through new workers moving to the city from elsewhere, rather than helping people who were originally unemployed to find work. Increasing public employment by 50% only reduces unemployment from 0.156 to 0.150.³³

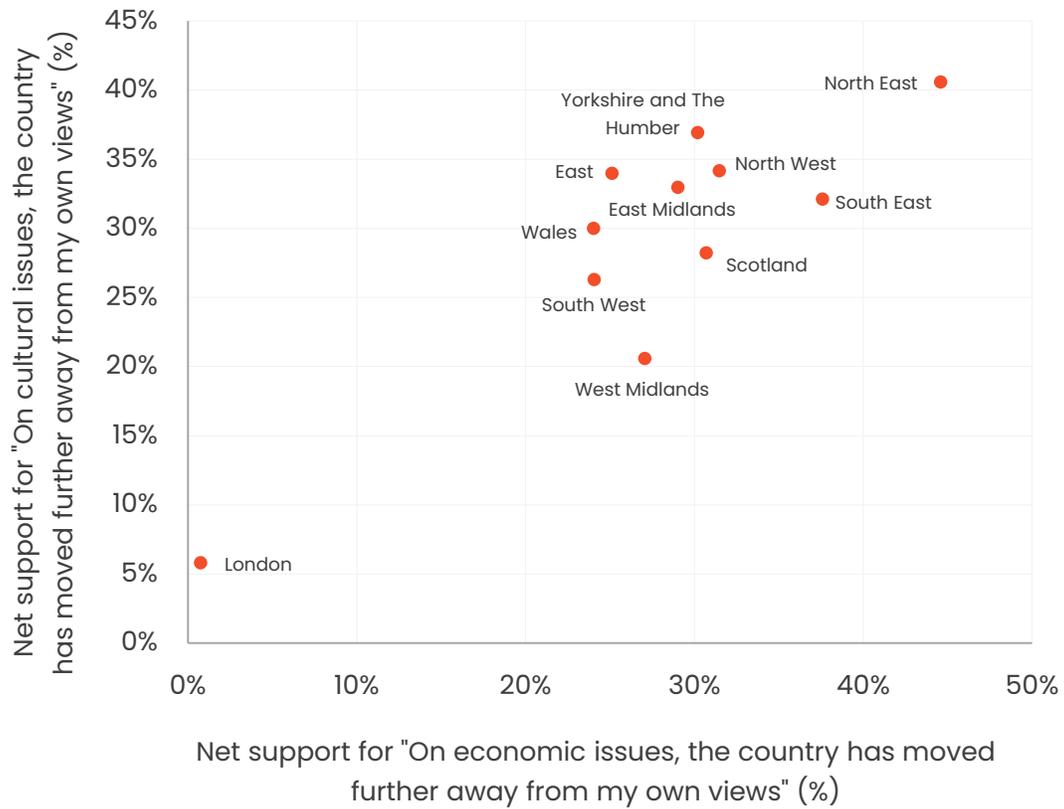
The cultural argument

The final argument for civil service relocation is about culture: that the concentration of civil servants in one part of the country may mean that government decision-makers struggle to understand or represent the needs of other parts of the UK, and that policy may be - knowingly or not - biased towards the place where that officials work and live. This argument has become increasingly pronounced in the last few years. Michael Gove made the point in his Ditchley Lecture. His opposite number Lisa Nandy argued persuasively that the post-Brexit political settlement is predicated on the emergence of “two Englands” – cosmopolitan areas of growth (including London) and others in backwater areas of decline – which have “increasingly different outlooks and priorities”.³⁴

It is certainly the case that people in London have somewhat different cultural and economic values than people elsewhere in the UK. For example, more than one in five “metropolitan liberal” voters (as defined by Onward’s study of the 2019 election) are based in London, despite this group comprising only 6% of the UK population.³⁵ And people in London are far more likely (in fact the only region) to believe the country is moving in the right direction, both economically and culturally, as shown in Figure 1 below.³⁶ This broad pattern is reflected in surveys about the civil service. According to YouGov’s biannual tracker of confidence in the civil service, net confidence has remained around 10 percentage points higher in London than in the North or the Midlands over the last two years, with net confidence in the North net negative over the entire period.³⁷

Figure 1: Regional affinity with the direction of the country, social and economic axes

Source: Onward (2019), *Politics of Belonging*



Although rarely the primary driver, cultural factors were also an important backdrop to previous relocation efforts. In 2004, the Lyons Review argued that “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”, citing a civil servant who told the review: “...of course everything is London-centric. It is a continual struggle to ensure that the regional perspective is heard and incorporated into policy making.”³⁸ Lyons went on to argue the wider benefits of relocation for changing working culture in the civil service: “new locations can provide the spur for new ways of working: adopting better business practices, processes and technology, and reforming organisational culture. The best relocations seem to have been pursued as part of a broader reform and re-engineering effort.”³⁹

The experience of government relocations in recent years reinforces this insight. In recent years, Homes England (previously the Homes and Community Agency) has moved large numbers of staff out of London, including to its Coventry Headquarters. Last year, it’s Chair told a Parliamentary Select Committee of the benefits of such dispersal:

“We have 1,400 people, of whom only 25% are in London; 75% are spread throughout the country with offices in Newcastle, Manchester, Coventry, Liverpool, Bristol and so on. As I go round the country, including the day I met you in Sheffield, there is a real sense that there are Homes England troopers, who are boots on the ground, who know the local council, the officers, the councillors, the local housing associations, the local builders and the local landowners, so that we can act as a catalyst. Beyond the money we hand out, we can also help convene and pull people together.”

Evidence suggests that similar benefits have been experienced as a result of other moves, with relocated public institutions serving to ‘convene and pull people together’. For example, the BBC’s move to Salford appears to have been a catalyst for media agglomeration in the MediaCity area, with KPMG estimating that the number of digital or creative businesses grew by 70% in Salford between 2010 and 2019⁴⁰ – although previous work by the Centre for Cities suggests that some of these had been displaced from the wider Greater Manchester region.⁴¹

It is intuitive that regional collaboration is simply much harder to achieve with government functions located in London. We know from the wider innovation literature, especially the work of Enrico Moretti, that location matters greatly to innovation, creating serendipitous meetings and opportunities for collaboration that are harder to create at distance. This should hold for the public sector too: as one of the authors of this paper has put it before, “the rise in remote working creates an opportunity to create new public sector remote working hubs in core cities for local, regional, and national government staff – creating opportunities for the chance encounters which are so important to innovation.”⁴²

Realising the cultural benefits of relocations requires policy teams moving out of London as well as operational functions. One of the benefits of delivery teams being dispersed, as observed above by the Chair of Homes England, is the more nuanced understanding they have of the lived experiences of the communities they support. The impact of this insight is greatly amplified if relocated public servants are taking the key decisions to design and develop policy, as opposed to just delivering it. Assumptions baked into policy in all areas, from housing to welfare, could be reshaped if dispersed civil servants apply a greater appreciation of how people’s lives differ across the country, based on their own experiences and observations working at regional campuses.

The argument over the ONS move to Newport

The Office for National Statistics moved its headquarters from London to Newport in Wales between 2005 and 2010. This came after discussion with the Lyons Review, in which the ONS proposed a reduction in head office staff from 1,000 to 400, keeping only staff with regular contact with ministers, and transferring all other activity to Newport, Bristol and Cardiff, and moving out of Titchfield.⁴³ Ultimately, the ONS decided to stay in Titchfield but transfer the majority of roles (850 roles) to Newport, with just 50 staff remaining in London.

Over the course of the relocation only 101 staff opted to move to either Newport or Titchfield, of whom seven were Senior Civil Servants, equating to nearly 90% attrition of the ONS workforce in a few years. Sir Charlie Bean identified this subsequent loss of analytical capacity as one of the chief causes of a perceived decline in the quality of national statistics in his 2016 review.⁴⁴ The review, which called for the ONS to move some roles back to London, is often used to justify keeping civil servants in Whitehall and the risks of moving staff to locations outside major UK cities.

But we should ask: is Newport genuinely the cautionary tale it is often assumed to be? There are three reasons why ministers might reasonably conclude that the ONS is in fact a signal that they should go further in relocating civil servants around the country.

First, while the 90% attrition experienced at the ONS was significant, it is not surprising or unusual for a geographic relocation to lead to high levels of churn. Employees are understandably unwilling to uproot their families and lives. The BBC is a case in point. When the corporation moved its headquarters to Salford in Manchester, 58% of middle managers refused to move and several high profile presenters left in 2021 when different teams and divisions were moved to various other UK cities.⁴⁵

A more serious charge would be that the ONS had been unable to recruit experienced staff in their new location. But the evidence for this appears scarce. Between 2006 and 2010, the number of ONS staff employed in Newport grew steadily from around 1,300 to around 1,700, and when National Accounts was moved to the ONS in Newport in 2009, Sir Charlie Bean concluded that “many staff with relevant expertise moved to fill vacancies left by those who did not relocate”.⁴⁶ This is consistent with earlier reviews. The Lyons review found that relocating public bodies “benefitted from improved labour markets outside the South East. At more junior grades particularly, there was a good supply of able staff. This drove up service quality; reduced turnover and associated recruitment and training costs; and facilitated the introduction of new working practices and new cultures.”⁴⁷

Second, it is not necessarily true that relocation reduces organisational performance. For example, when the National Audit Office conducted a post-relocation survey of the Patent Office's key working contacts in 1994, they found that response times and quality of service delivered were both perceived to have improved, partly due to the use of telephone and email and the introduction of a standardised method of dealing with the Patent Office. While this perception is not the case for the ONS - Sir Charlie Bean's review concluded that the loss of expertise from the Newport move is "widely believed to have had a significant adverse impact" on UK statistics, mostly as a result of a number of embarrassing statistical errors during the period in question⁴⁸ - successive evaluations suggest that quality may have, in fact, improved.

Since 2014, the ONS has commissioned a series of National Statistics Quality Reviews to examine accuracy, timeliness and authority, covering FDI, labour market, consumer price and other statistics - all of which broadly concluded that ONS statistics are of good quality, and broadly comparable to equivalent statistics in other countries.⁴⁹ In 2017/18, 99.8% of statistical releases were free from major errors and 98% were released within the 9:30 deadline.⁵⁰ Between 2014 and 2018, the share of members of the public who agreed that ONS statistics are free from political interference rose from 66% to 73%; in 2018, 88% of people said they trusted the ONS, making it more trusted than the civil service or Bank of England. In addition, the notoriously hard-to-navigate ONS website - famously deemed "almost unusable" by Professor Diane Coyle - was decommissioned in 2016 and replaced with a new and greatly improved website to showcase the full range of statistics and give users more ability to customise and visualise data online.⁵¹ The Economist recently argued that during the coronavirus pandemic 'number-crunchers at the Office for National Statistics rose to the challenge' and performed well in relation to international peers.⁵²

Third, analysis of BRES data by Onward suggests that the decision to locate the ONS in Newport may have led to considerable increases in knowledge-intensive industries in the area. As the Centre for Cities have pointed out, Newport is a large town without a pre-existing specialism in knowledge-based industries. In 2006, just 12% of jobs in Newport were knowledge-based, ranking 47th out of 62 cities.⁵³ However in recent years there has been a considerable increase in knowledge-intensive jobs in the city, with numbers rising at a similar rate to city centres like Leeds, Newcastle, Edinburgh and Cardiff - and in some cases even faster. While only suggestive, it is notable that Newport has emerged as a growing knowledge hub in the wake of the ONS move.

As shown in Table 3 below, Newport experienced an 18.2% increase in knowledge-intensive workers between 2009-15, considerably higher than the equivalent increase in Birmingham or Sheffield. In fact, Newport attracted more knowledge workers in absolute terms than Edinburgh or Cardiff over the same period. And this increase has been sustained: in the most recent four-year period of BRES data (2015

to 2019) Newport recorded a further 13% increase, a larger proportional rise than any of the cities we compared it to, including Leeds, Newcastle, Sheffield, Birmingham and Oxford (the last of which saw a 7% fall in knowledge-intensive jobs).

Table 3: Comparing the growth in knowledge-intensive jobs in Newport with other cities

Source: Business Register and Employment Survey, 2009–19

Location	2009-2015		2015-2019	
	Absolute change	Percentage change	Absolute change	Percentage change
Newport	1870	18.2%	1575	13.0%
Leeds	19250	21.4%	12650	11.4%
Oxford	4465	25.8%	-1585	-7.3%
Newcastle	-2975	-7.5%	2025	5.4%
Sheffield	1700	4.1%	4600	10.6%
Birmingham	12775	13.5%	5500	5.1%
Edinburgh	550	0.6%	8550	9.5%
Cardiff	1425	3.7%	4925	11.7%
Swansea	-1730	-11.3%	95	0.7%

Note: The open access BRES available from Nomis creates a break in the data in 2015, which is why we show change in knowledge-based jobs over two separate periods.

These three reasons suggest that the ONS move to Newport may not have been the abject failure that it is often been described as, and reinforce the case for further relocation. The fact that other relocations, including the Patent Office move to Newport previously and the Lyons Review dispersal since, have led to increased private sector activity and improved cost and performance, add further credibility to this case.

Relocation today

The Government's commitments and progress





The Government has made repeated commitments to move large numbers of civil servants out of London and to increase the civil service's presence in other regions of the UK. The rationale for this is twofold. First, to ensure the civil service is representative of, and visible in, all parts of the UK. Second, to reduce the overhead and estate costs associated with housing large numbers of civil servants in London.

In 2018, the Cabinet Office published the *Government Estates Strategy*, which included the commitment to “locate up to a thousand public sector jobs out of London and the surrounding area” by the end of the Parliament (i.e. 2021) “as a first step of a major, long-term programme which will move many organisations and thousands of jobs, including a full range of professions and senior grades” by 2030.⁵⁴

Following the 2019 election, the Prime Minister made this commitment a key element of his Levelling Up vision, pledging to “move departments of state – ministers, private offices and all – to great northern cities and regions that represent the future of this country.”⁵⁵ The 2021 *Plan for Growth* outlined further that “We are relocating 22,000 Civil Service roles out of London and the South East by 2030 through the Places for Growth programme, bringing policy-makers closer to the communities they serve.”⁵⁶ This included a new economic campus in Darlington and Queen Elizabeth House, the newly opened UK Edinburgh Hub.

The Levelling Up White Paper brought together the commitments made as part of the Places for Growth programme, including commitments to 2025 for all departments and to 2030 for some departments, along with SCS breakdowns for some departments, as shown in Table 4.

Table 4: Places for Growth: Number of roles moving outside London by 2025 and 2030Source: DLUHC (2022), *Levelling Up White Paper*

Department	Number of roles by 2025	Number of additional roles by 2030	Number of SCS roles by 2025 (forecast)	Main targeted locations for growth
BEIS	1,350	500	87	Salford, Birmingham, Cardiff, Darlington, Belfast, Edinburgh and Aberdeen
CO	1,742	TBC	69	Glasgow and York, with small growth in Cardiff, Belfast and Edinburgh
DCMS	701	TBC	31	Manchester, Darlington, Edinburgh, Cardiff, Belfast
DEFRA	550	550	18	York, Tyneside, Bristol, Cardiff and Edinburgh
DfE	551	400	35	Shefeld, Coventry, Manchester, Darlington, Bristol and Nottingham
DfT	688	562	41	Leeds, Birmingham and Edinburgh
DHSC	380	TBC	TBC	Leeds, Burnley, Runcorn, Reading, Edinburgh and exploring potential growth at 16 former Public Health England sites including Newcastle, Shefeld, Nottingham and Cambridge
DIT	581	193	28	Darlington, Edinburgh, Cardiff and Belfast
DWP	400 (185 DWP; 215 MaPS)	TBC	13	Leeds, Shefeld, Tyneside, Blackpool, Manchester, Glasgow, Birmingham and Treforest
DLUHC	917	TBC	30	Wolverhampton, Darlington, Manchester, Coventry, Leeds, Birmingham, Bristol, Edinburgh, Tyneside, Liverpool, Belfast and Cardiff
FCDO	500	2,000	TBC	East Kilbride
HMRC	500	TBC	TBC	Manchester, Liverpool, Edinburgh, Cardiff, Tyneside, Leeds, Nottingham, Birmingham and Bristol
HMT	300	TBC	20	Darlington
HO	1,950	TBC	80	Stoke-on-Trent, Manchester, Shefeld, Liverpool, Birmingham, Cardiff, Bristol, Durham, Peterborough, Leeds, Glasgow and Edinburgh
MOD	960	TBC	6	Edinburgh, Glasgow, Portsmouth, Cambridgeshire and Wiltshire
MoJ	1,205	800	61	National model with one larger hub per region of England and Wales (Justice Collaboration Centres) supported by a network of smaller offices (Justice Satellite Offices). Hub locations identified in Leeds, Nottingham, South Tyneside, Liverpool, Cardiff, Brighton and Ipswich. Commitment to grow 500 roles across Wales office network by 2030.

Despite announcements, there has been limited progress to date

Despite these commitments, and ministers' clear desire to shift the geographic balance of decision-making in government, the civil service has in fact become *more* London-centric in the last three years. Given the commitments made above, the statistics are startling. In the three years between March 2018 and March 2021:

- The number of civil servants grew by 54,740 overall, driven by rising public spending, Brexit and the pandemic. A disproportionate share of this growth – 34% – has been in London, compared to 23% in the North of England, 10% in the Midlands and 34% elsewhere. As a result, the share of civil servants based in London increased between 2018 and 2021, from 19% to 21% of all civil servants.
- A majority of departments recruited primarily from London over this period. But this is particularly true for economic departments whose relocation might have the strongest economic effect: of the additional staff recruited by BEIS, the Department for Digital, Culture, Media and Sport (DCMS) and HM Treasury respectively between 2018 and 2021, 93%, 92% and 97% were located in London. A number of private sector-facing public bodies have not hired any civil servants outside London since 2018, including the Serious Fraud Office, UK Space Agency and National Infrastructure Commission.
- BEIS, has become more dependent on London-based staff in the last three years, with 92% of civil servants now located in London, compared to 91% in 2018. DCMS and HM Treasury have become marginally less London-centric in proportional terms. However, 96% of DCMS civil servants and 97% of HM Treasury civil servants were still based in London respectively in April 2021.
- Operational departments such as the Home Office and DWP recruited mostly outside London, with just 23% and 27% of new recruits being located in London respectively. While much lower than other departments, the DWP's recruitment pattern is still disproportionately based in London compared to its existing staff footprint, where only 10% were London-based and 90% were based in other regions.
- The government departments that have successfully reduced reliance on London-based staff between 2018 and 2021 are the Department for Education, whose workforce was 51% London-based in 2018 and is now only 38% London-based, and the Department for International Trade, which has seen London headcount fall from 96% to 86% of its workforce.

Figure 2: Share of civil service growth, 2018–21, by region and department

Source: Civil Service Statistics (2018–21)

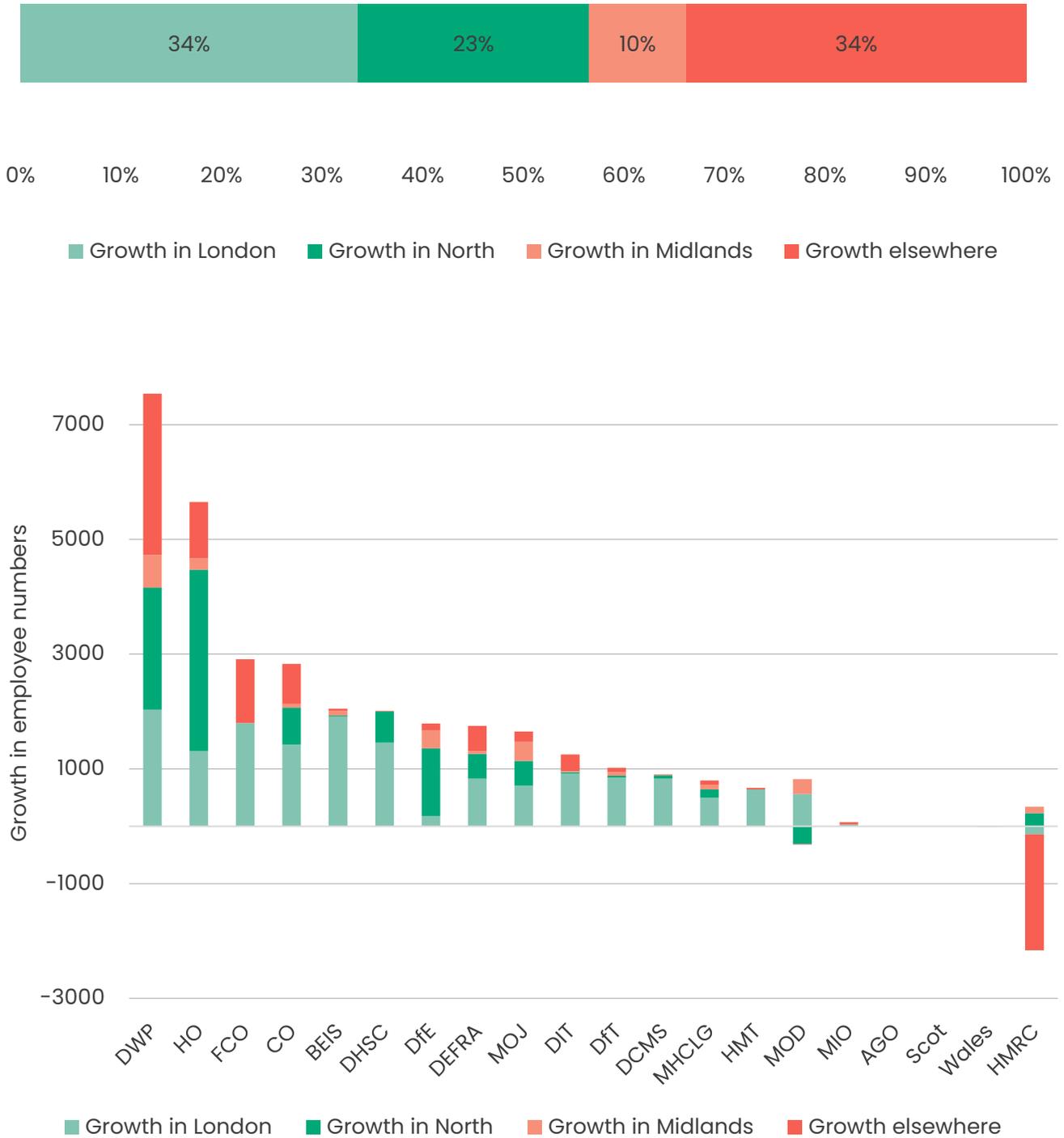
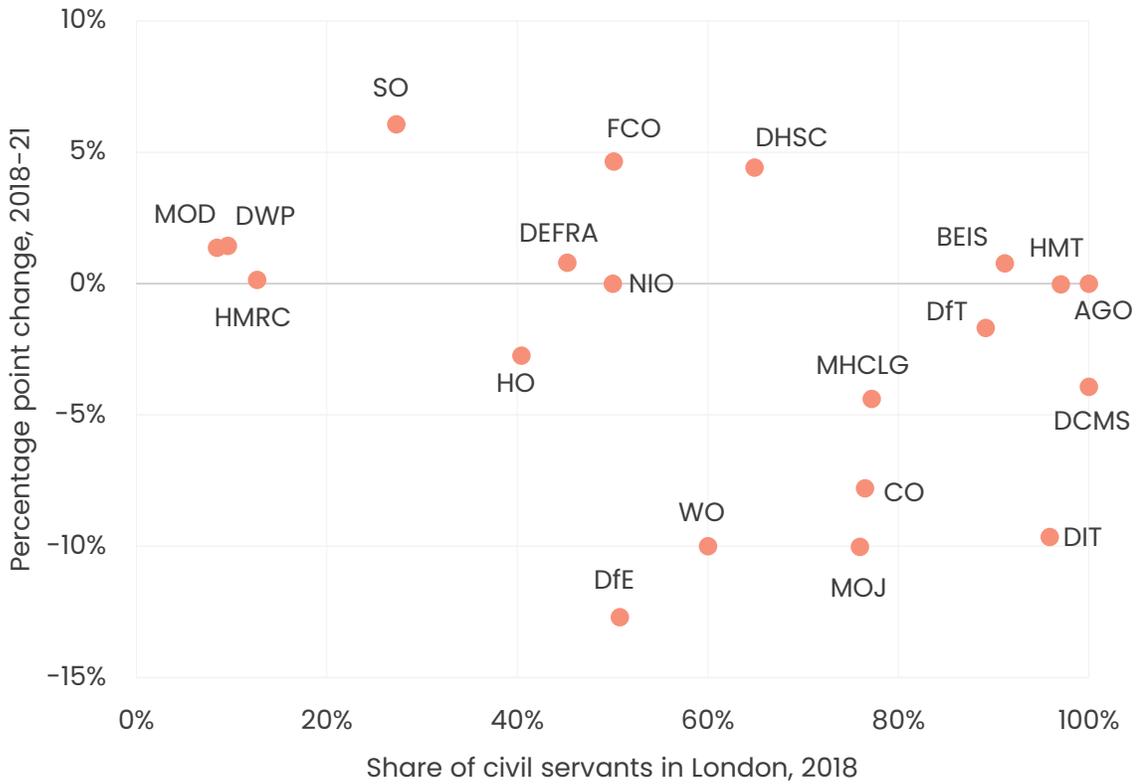


Figure 3: Share of civil servants in London in 2018 versus change, 2018–21, by department

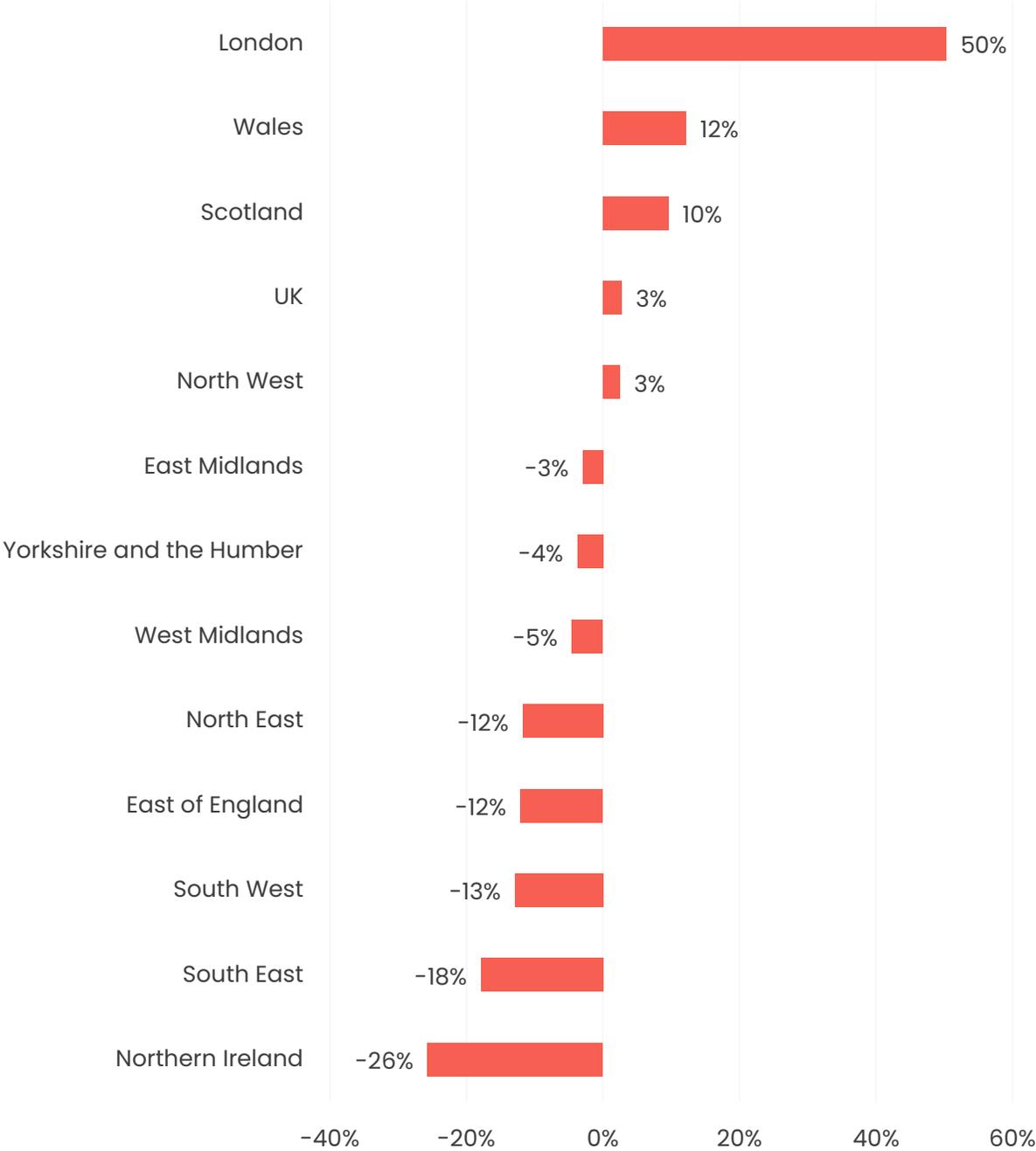
Source: Civil Service Statistics 2018–21



This is not particular to this government; it follows a longer run pattern. Looking at the changing location of civil servants since the Civil Service Statistics were first published in 2006, we can see that, despite the efforts of the Lyons Review, the last 15 years have largely been an exercise in centralisation. London has seen civil service headcount increase by 50% over that timescale, more than four times the rate of growth of any other region. Most other regions currently have a lower headcount than they did in 2006, and those that have lost civil servants are generally the least prosperous regions.

Figure 4: Total change in civil service employees, 2006-21

Source: Civil Service Statistics, 2006-21



The civil service is now more centralised in London than at any point since the 1970s

As a result, the civil service is nearly as centralised today in London as it was in 1976, before the successive dispersal policies explored in previous chapters. In 1976, 23.1% of civil servants were employed in London; in 2021, the corresponding figure is 21.5%.

This is not merely a product of London's population, which has increased faster than in other places in recent decades. London today has the third highest rate of civil servants per 1,000 population (14.1) and the third highest rate of civil servants per 1,000 employees (22.9) of any region in the UK, behind only the sparsely populated regions of the North East and South West.

This is mostly because of the changes that have occurred in the last two decades. Between 1976 and 1997, London lost nearly half of its civil servants in absolute terms (49%) - largely as a result of the efficiencies and privatisations of the 1980s and 1990s. But between 1997 and 2021, numbers rose again by a fifth (17.7%) from 86,600 to 102,000 full-time equivalent civil servants. Other regions also benefited during this period: the civil service more than doubled in size in the North East and by 78% in Yorkshire.

This contrasts to regions such as the West Midlands and East Midlands, where civil service headcount may have reduced more slowly between 1976-1997, but numbers have continued to fall between 1997 and 2021. In the East Midlands, for example, the civil service shrunk by a fifth between 1976-1997, and then halved again between 1997 and 2021. In absolute terms, 15,300 more civil servants were employed in London this year compared to in 1997, while the East Midlands has lost 20,300 civil servants over the same period. The South West and the South East have lost 5,500 and 20,400 posts respectively.

Table 5: Civil service employment by region, 1976–2021*Source: University College London*

Region	Civil service employment (thousands)					
	1976	1997	2002	2021	Change, 1997–2021	% change, 1997–2021
North East	19.8	13.5	17.0	30.6	17.1	126.7%
Yorkshire and Humber	38.6	20.6	20.6	36.6	16.0	77.7%
Wales	39.5	26.5	30.0	36.1	9.6	36.2%
London	170.7	86.6	86.8	101.9	15.3	17.7%
Scotland	71.2	45.8	46.2	47.6	1.8	3.9%
West Midlands	36.2	31.1	31.9	30.5	-0.6	-1.9%
South West	84.8	50.7	48.2	45.2	-5.5	-10.8%
North West	72.5	56.9	65.0	59.3	2.4	4.2%
East of England	36.7	24.1	28.8	22.6	-1.5	-6.2%
South East	117.4	62.2	57.3	41.8	-20.4	-32.8%
East Midlands	51.9	41.7	40.4	21.4	-20.3	-48.7%

Table 6: Regional distribution of civil servants (full-time equivalent) in relation to employment and population in England, 2021*Source: Civil Service Statistics 2020, NOMIS data*

Region	Civil servants per 1,000 employees	Civil servants per 1,000 working age (16–64) population
North East	37.0	15.3
South West	24.3	11.5
London	22.9	14.1
North West	22.4	11.0
Yorkshire and Humber	19.9	9.2
West Midlands	15.1	7.1
East Midlands	13.4	6.1
South East	12.9	6.4
Eastern	10.5	5.0
England	18.9	9.4

Leadership starts at the top

The growing number of civil servants in London is most acute for one group of mandarins in particular: the Senior Civil Service (SCS). The SCS has always been London-centric - on account of the perceived importance of proximity to ministers and exposure to Parliament - but it is becoming more so. This is likely to be one of the most important reasons why the civil service as a whole is becoming more concentrated; not unreasonably, if their superiors are in London, junior officials want to be too.

The numbers are striking. In 2021, around one in 20 (4.6%) of civil servants in London were in the Senior Civil Service and 32% were Grade 7 or above. This is a substantial increase compared to 15 years ago. In 2006, 3% of civil servants in London were SCS and 17% were Grade 7 or above. This appears to be as a result of general civil service grade inflation as much as anything else. All regions have experienced net growth in senior officials, with civil servants above Grade 7 tripling as a share of civil servants in the North East and quintupling in Northern Ireland - albeit both from a low base. But London's senior grades have risen fastest, as shown in Figure 5 below.

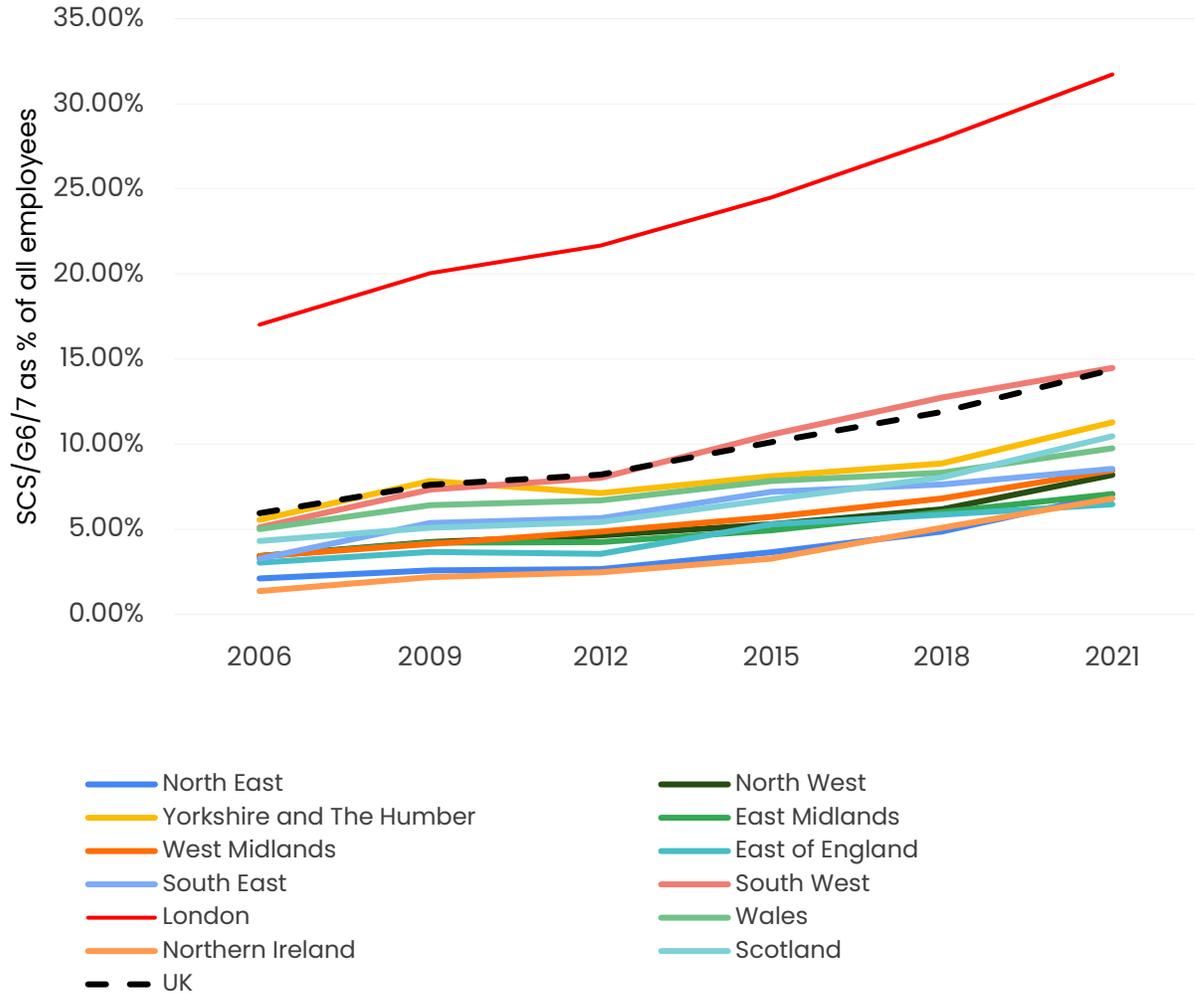
The result is a civil service that mirrors the UK economy: heavily lopsided towards London. In 2006, just 14% of civil servants and 57% of Senior Civil Service officials worked in London. In 2021, 21% of civil servants now work in London overall and 64.5% of Senior Civil Servants do. Among Grade 6s and 7s, London's share has risen five percentage points from 39% to 44% over the same period.

Moreover, much of this change has happened in the last six years. In 2015, 60% of the Senior Civil Service and only 41% of Grade 7 and 6 officials were located in London, suggesting that three fifths of the relative growth in the SCS in London and half of G6/7 growth since 2006 occurred in the last five years.

It would be understandable for the civil service to grow considerably after 2015, when public spending restraint started to ease and new demands in the form of Brexit and, most recently, the pandemic bore additional pressure on Britain's state architecture. It is much less understandable - particularly in light of the Brexit vote itself - why an increasing share of that activity needs to be conducted in London.

Figure 5: Senior grades as a share of civil service, by region, 2006-21

Source: Civil Service Statistics 2006-21



But this is also a function of how the civil service recruits

The fast stream is the entry point for the UK civil service. It is a highly competitive and prestigious scheme with a success rate of just 2%. Successful applicants typically enjoy accelerated promotion and exposure to different parts of government within a few short years. A large proportion of senior civil servants enter the civil service through the route, including Permanent Secretaries. The Fast Stream is also highly concentrated in London and the South East, limiting the ability for the civil service to represent and reflect the priorities of voters in all parts of the UK.

In 2021, 14,423 of the 52,833 applications to the civil service were from people living in London. This represents 27% of applications - up from 24% in 2020 and 26% in 2019. A further 7,639 (13%) were from the South East, i.e. around 40% of applicants to the civil service typically come from regions that represent 33% of the working age

population. In contrast, 10,130 applicants (19%) came from the three regions of the North of England, which together represent around 27% of the UK population.⁵⁷

In addition, Londoners typically have a higher average success rate in the application process than applicants from other regions. In 2021, 295 applicants from London were recommended for approval, giving a success rate of 2% - higher than the UK average (1.8%). Poorer regions, including the North West (1.3%), Wales (1.3%), North East (1.8%), Yorkshire and Humber (1.7%) and East Midlands (1.7%), typically have the lowest success rates by region. London, the South East, the South West and the East of England have had the highest success rates in each of the last three years.

The combination of these two facts means that civil servants are increasingly drawn from some regions and not others. In 2021, nearly one in three (31%) of candidates recommended for approval were from London, more than the share from the North of England and Midlands collectively (28%) and twice the number from the North of England (16%). In each of the last cohorts since 2019, around half of applicants were drawn from London or the South East.

To its credit, the civil service has started to address this imbalance. In 2017, the Civil Service Fast Stream Annual Report made clear that: “to be capable of serving modern Britain, the Civil Service must be more like modern Britain.” Steps to develop a “diverse talent pipeline” following a 2015 review included the creation of the civil service’s first Fast Stream assessment centre in Newcastle, a half day, rather than one day, assessment centre and dropping numerical and verbal reasoning tests to diversify applications.⁵⁸

These steps have successfully driven up female, BAME and disabled applicants. However they have failed to significantly increase geographic diversity in the civil service intake, with the number of applicants from the North of England actually falling 3% in absolute terms, from 10,487 in 2019 to 10,130 in 2021, and the number of candidates from the Midlands falling 8% in absolute terms from 6,907 to 6,325. Over the same period, the number of London-based candidates rose 11%, from 13,044 to 14,423 applications.

Figure 6: Share of applications to civil service fast stream, by region

Source: Civil Service Fast Stream Statistics

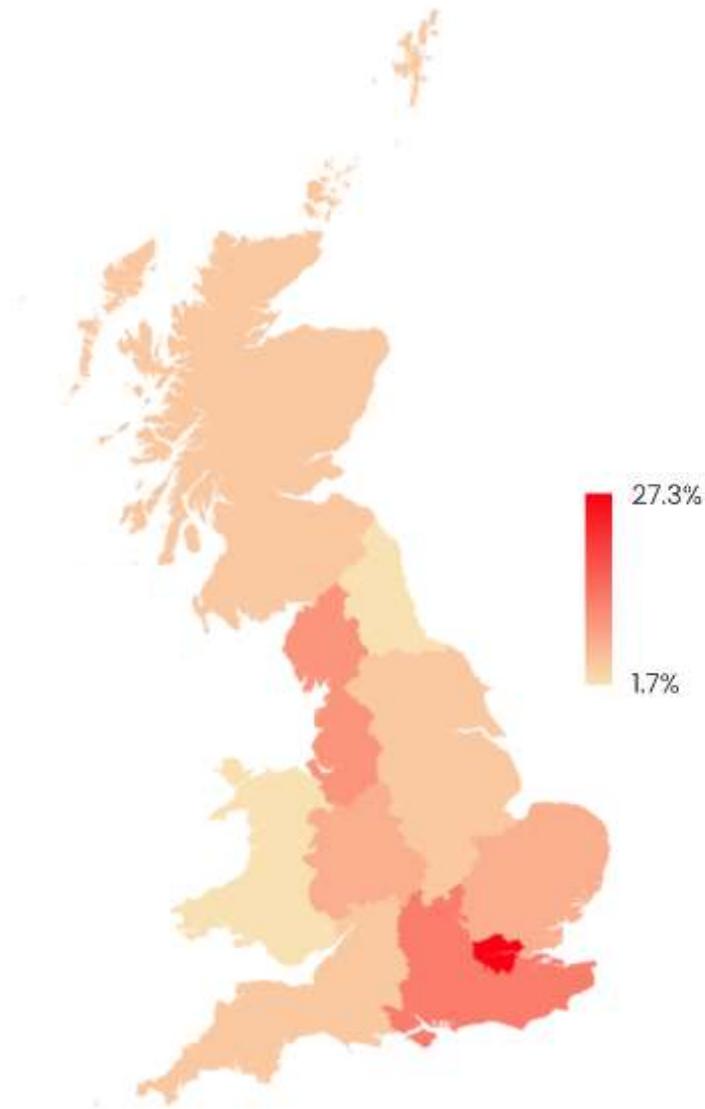
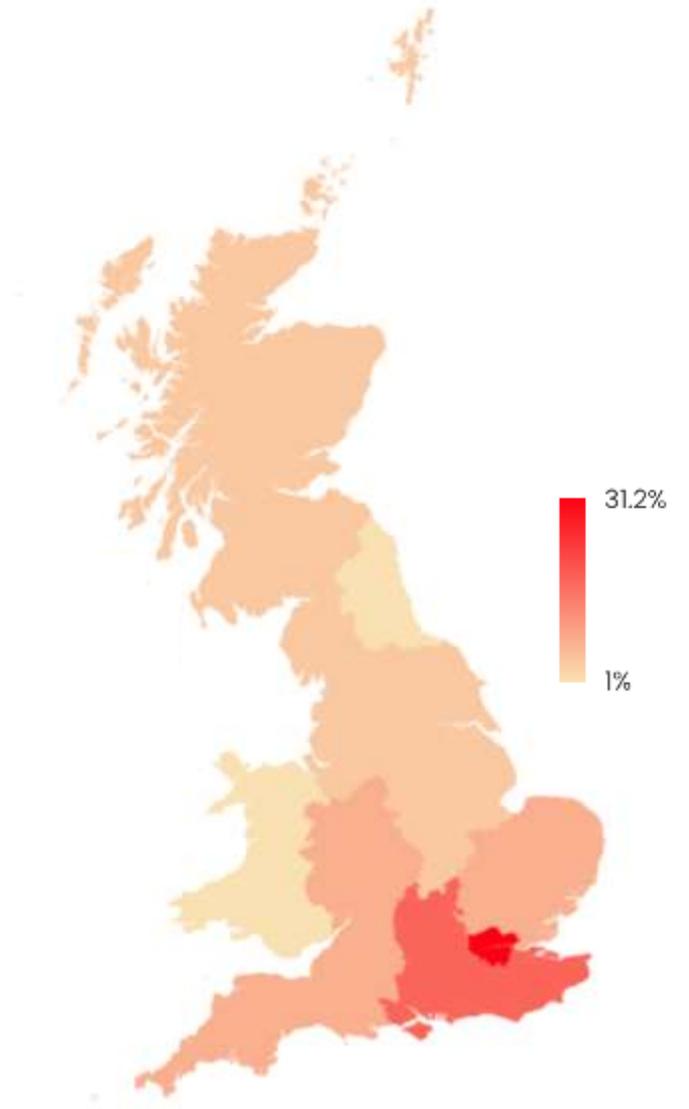


Figure 7: Share of successful applications to civil service fast stream, by region

Source: Civil Service Fast Stream Statistics



This is starting to change, but extremely slowly

In the last six months, this has started to change. The Treasury has opened its new Darlington site, the Northern Economic Campus, and started recruiting locally. A number of other departments are starting to shift roles out of the capital. But progress is extremely slow. Looking at the 14 departments that responded to a series of Parliamentary Questions by Robert Langan MP on this topic in October, we find that:⁵⁹

- In total, a net additional 633 roles were created in London in the six month period between March and September 2021, with 4,737 created outside London. Almost all (4,734) of these new roles outside London were created by two departments: the DWP and the Home Office, which are both already most dispersed and which are more operational in nature.
- The two key economic policy departments - HM Treasury and BEIS - both created substantially more roles in London than outside, with 288 and 31 additional recruits in London compared to 109 and 8 outside London, respectively. DCMS created more than twice the number of roles outside London (100) than within the capital in the same period.
- In departments that reduced their number of staff during this period, a large share of the attrition came outside London. For example, the Department for Education lost nearly 750 staff members in the last six months, of which more than two thirds were lost outside London. More than a third of the staff reduction at the International Department for Trade took place outside London.

Table 7: Change in headcount, inside and outside London, by departments, March–September 2021

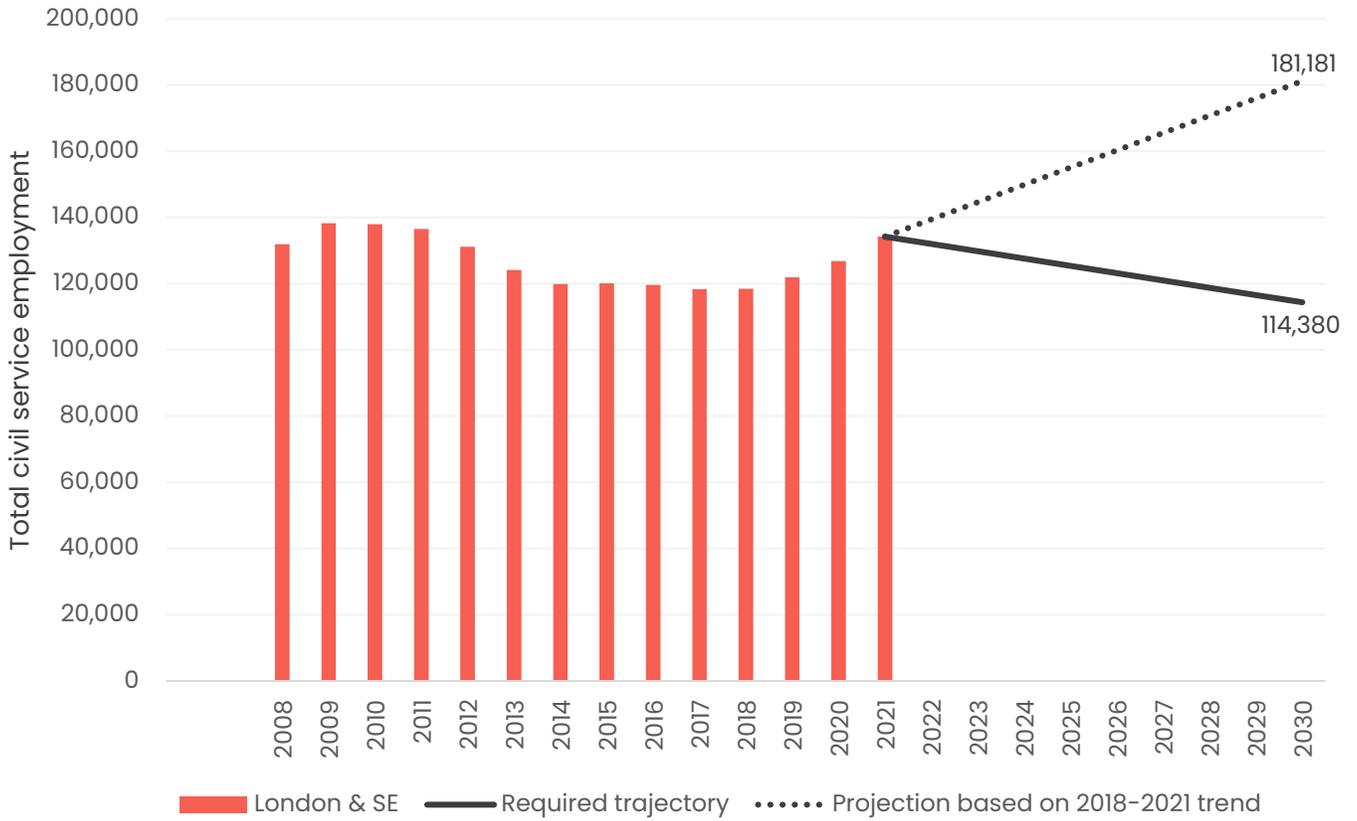
Source: Parliamentary Questions

Department	Change in Headcount, London	Change in Headcount, outside	% growth in London	% growth outside
Attorney General's Office	-4	0	-8.0%	0%
Business, Energy and Industrial Strategy	288	109	6.0%	26.0%
Cabinet Office	10	200	0.2%	9.0%
Defence	46	131	1.1%	0.3%
Digital, Culture, Media and Sport	42	100	2.5%	154%
Environment, Food and Rural Affairs	174	67	7.0%	1.9%
Education	-196	-552	-7.5%	-7.4%
HM Treasury	31	8	1.6%	-11.4%
Home Office	-77	1,264	-0.6%	6.1%
International Trade	-172	-102	-7.4%	-47%
Northern Ireland	9	-9	11.3%	-10.0%
Transport	4	56	0.1%	0.5%
Wales	-2	-5	-7.7%	-23.8%
Work and Pensions	480	3,470	4.8%	4.8%

If the Government is to meet their target by 2030 of relocating 22,000 roles outside of London and the South East, then this progress will need to accelerate. Meeting it would require 1.5% of civil servants in London and the South East to move out of those regions every year between now and 2030, as shown by Figure 8 below. Even then, the number of civil servants in London and the South East will remain higher than in 2018, when the Government Estates Strategy first called for a great dispersal of officials. In the next chapter we turn to our recommendations for how to accelerate progress, including more detailed reporting so that trajectories can be more accurately developed.

Figure 8: Trajectory to move 22,000 civil servants out of London and the South East to meet the 2030 target.

Source: Civil Service Statistics, Onward Analysis



Moving On

Making dispersal stick this time





History shows that civil service dispersal is frequently frustrated. Whatever progress some governments have made in relocating officials outside the M25 during the last fifty years, over time (and after elections) the civil service has generally drifted back towards Whitehall. If the Government is serious about shifting the centre of gravity of government it will need to go further - and be considerably more radical - than its predecessors. Where should it start?

Sending a signal to the market

It is striking the extent to which the most market-facing functions of government are also the most heavily concentrated in central London. There are many factors that affect interregional productivity gaps - human and fixed capital formation, R&D intensity and transport connectivity, to name a few - and therefore contribute to the UK's almost uniquely imbalanced economy. But it is not surprising that the UK suffers from the largest regional imbalances in the OECD when looking at the geography of economic decision-making and regulatory activity - the vast majority of which takes place within a few postcodes located a few miles from one another. If the Government is serious about levelling up, it will need to change this balance. For example, on 1 March 2021:

- 9,130 civil servants were employed by Her Majesty's Treasury, the Department for Digital, Culture, Media and Sport and the Department for Business, Energy and Industrial Strategy. A total of 8,570 (94%) of them worked from a single postcode in central Westminster.
- Around 5,000 regulatory officials employed by the Competition and Markets Authority and Financial Conduct Authority worked within a few miles of the Bank of England in the City.⁶⁰
- More than 1,600 regulatory officials working for Ofgem and Ofcom, the two biggest market regulators, were based in offices located in either Canary Wharf or on Victoria Embankment, two of the most expensive and exclusive commercial postcodes in London.⁶¹

The Government has already set out to change this pattern, by establishing the Northern Economic Campus in Darlington. The Government expects the Darlington campus to house up to 750 civil servants when the move is complete in 2025, drawn from the Treasury, BEIS, DIT, ONS, DLUHC and DfE. The Chancellor and other ministers intend to work from the campus regularly and expect senior civil servants to too.⁶² This is an important step: past civil service relocations have focused on operational activity and staff, leaving the most senior civil servants and policy decision-making in Whitehall. But it may not be sufficient to genuinely shift the balance of power in the economy, for three reasons.

First, both HM Treasury and BEIS are currently recruiting considerably more civil servants in London than outside, with both departments increasing headcount around three times faster within London than outside the capital over the six months to September. Both departments can therefore claim to be hiring far more people in less productive regions than ever before - and yet at the same time are becoming relatively more centralised in London.

Second, even if the Government succeeds in meeting its relocation targets for Darlington, the staff employed there will represent a tiny fraction of the staff employed by the participating departments. For instance, the 750 roles slated to be located at Darlington by 2025 represents less than 6% of civil servants *currently* employed in London by the five contributing departments, notwithstanding any further increases in headcount in London in the intervening years. The workforce of economic departments will remain highly centralised even under the Government's existing plans.

Third, the formal civil service represents just one part of the economic machinery of government, which also includes important commercial functions within Whitehall, independent regulators and market oversight bodies. These functions directly and indirectly support an enormous swath of private sector activity, through the signals they send to markets and investors and the commercial activity they are responsible for overseeing. It is therefore not unreasonable to expect the location of these functions to have a material effect on the resource decisions of major firms in affected markets. The following examples suggest that the location of government functions has an impact on wider economic activity:

1. The Government Digital Service (GDS) is responsible for managing the Government's ICT estate and improving citizens' digital interactions with government. GDS moved its headquarters to the edge of the City of London in early 2021, occupying 55,000 square foot on the top two floors of the Whitechapel Building.⁶³ It also occupies space in Bristol and Manchester but London remains its main office location for its 900 or so staff. The annual rent cost of £2.8 million is several orders of magnitude higher than the costs of equivalent space in regional cities with thriving technology industries, such as Leeds or Newcastle.⁶⁴
2. UK Export Finance (UKEF) is responsible for helping British businesses to trade overseas by offering flexible finance and insurance solutions. UKEF is based in Horse Guards Parade in Whitehall, where it occupies an estimated 18,900 square feet of space from its parent department HM Treasury.⁶⁵ In 2020-21, 38% of businesses in the South of England benefited from UKEF trade finance or insurance, nearly twice as many as in the North of England (20%) and considerably higher than the Midlands (31%).⁶⁶ Businesses in Scotland (4%), Wales (1%) and Northern Ireland (4%) barely benefit at all from

UKEF services. In 2020-21, London represented 63% of the UK's trade in services surplus, importing £67.1 billion of services and exporting £136.4 billion of services.⁶⁷

3. The Crown Commercial Service (CCS) is responsible for managing government procurement to create a single government customer for services and to deliver better value for money for the taxpayer. Since 2018, the CCS has had offices in the new civil service hub in South Colonnade in Canary Wharf, alongside officials from HMRC, the Ministry of Justice and other departments – in addition to a presence in Liverpool, Norwich, Newport and Birmingham.⁶⁸ It pays an estimated £3.5 million a year for the space. In 2020, data from Tussell, the data provider, suggests that 45% (£26 billion) of the annual £57 billion of central government contracts went to firms based in London, and 63% (£36 billion) went to firms located in the Greater South East. Of the suppliers that Tussell considered, suppliers in London and the South West received the greatest share of their income from central government (51% and 52%) between 2017 and 2020, compared to just 26% in the North West and 29% in the West Midlands.
4. The Advanced Research and Invention Agency (ARIA) is the Government's new agency to direct high-risk, high reward innovation, deploying an innovative programme manager-led funding model to deploy over £800 million in funding towards new research and development. The Government has been clear that ARIA will be a small organisation with few employees, so will occupy a small physical footprint. However the spillover effects of ARIA are likely to be significant.

There is also a good case for regulators to be spread more evenly around the United Kingdom. Two thirds of the financial services industry is based outside the capital, yet the vast majority of its regulator, the Financial Conduct Authority,⁶⁹ is based from the former Olympic Park in Stratford, East London. Similarly, the Chief Executive of Ofcom, Melanie Dawes, recently warned that the BBC should move out of London to become less “London-centric”,⁷⁰ despite Ofcom itself being based exclusively at a 160,000 square foot building on the bank of the Thames, at a cost of £4.9 million a year to the taxpayer. Given both the BBC and Channel 4 have moved much of their operations to Salford and Leeds respectively, there is a good argument that the regulator should be based elsewhere.

The Levelling Up White Paper sets out that the majority of Arms Length Bodies are being targeted for relocation and commits that no new ALBs will be based in London. If the Government is serious about shifting the culture of decision-making in government and using the civil service as an anchor for wider economic revival in lagging regions, there is a strong argument that it should widen the scope of its ambitions to key Government functions and regulators.

Recommendation 1

Ministers should prioritise the relocation of Government’s market-facing or commercial functions out of London over the Spending Review period, in line with wider ambitions for “levelling up”.

This should explicitly include the Government Digital Service (GDS), Crown Commercial Service (CCS), UK Export Finance (UKEF), and the Advanced Research and Invention Agency (ARIA), all of which should be based outside London.

The Government should also independently review the location of public regulators, such as Ofcom, Ofgem, the Financial Conduct Authority and the Competitions and Markets Authority, in order to ensure they are best located to regulate the industries they represent and to ensure their workforce reflects the values and priorities of the UK as a whole.

Table 8: Locations, staff and rent for selected government functions and regulators

Body	Office locations	Number of staff (FTE)	Annual rent costs
Government economic functions			
UK Research and Innovation ⁷¹	Victoria Embankment, London Polaris House, Swindon Stoke Gifford, Bristol	7,803	£5.7m
Government Digital Service ^{72 73 74}	Whitechapel Building, London	800	£2.8m 55,000 sq ft
Crown Commercial Service ⁷⁵	South Colonnade, Canary Wharf Old Street Hall, Liverpool Victoria Square House, Birmingham St Andrews Business Park, Norwich Concept House, Newport	905	£3.5m
UK Export Finance ⁷⁶	Horse Guards Road, Whitehall	400	- 18,900 sq ft
UK Space Agency	Polaris House, Swindon Victoria Street, London	120 140	£1.1m
Economic regulators			
Financial Conduct Authority	Endeavour Square, Stratford, London	4,194	£22.9m
Competition and Markets Authority	25 Cabot Square, City of London Queen Elizabeth House, Edinburgh	848	£9.1m
Market regulators			
Ofgem ⁷⁷	South Colonnade, Canary Wharf Commonwealth House, Glasgow	670 510	£2.8m
Ofwat ⁷⁸	Centre City Tower, Birmingham Bloomsbury, Central London	180 70	£1.35m
Ofcom ⁷⁹	Riverside House, Victoria Embankment	1,031	£4.9m 160,000 sq ft
Ofqual ⁸⁰	Earlsdon Park, Coventry	260	£936,000
Ofsted ⁸¹	Petty France, Whitehall Piccadilly Gate, Manchester Other	450 500 830	£13.8m

Embedding a regional way of working among decision-makers

Over the course of the pandemic, a substantial number of civil servants have not worked from their normal offices due to working from home regulations. Departments have not published precise figures but we know that, in July 2020, the Whitehall-commissioned Leesman review of home working arrangements for civil servants surveyed nearly 26,000 officials across 19 government departments and agencies.⁸² In a survey of 2,400 civil servants for the FDA Union, a total of 97% of civil servants wanted to retain flexible working post-pandemic.⁸³

While the last few years have been extraordinary, it is therefore impossible to claim that large numbers of civil service roles can either not be practically done from locations outside Whitehall or that civil servants do not want to work in a more dispersed manner. The experience of the pandemic shows that government can function effectively from different parts of the country, aided by digital technology and flexible ways of working. The Government should be seeking to preserve these benefits as the UK emerges from the pandemic and rebuilds the economy.

Doing so will require leadership and planning. The history of civil dispersal in Chapter 2 shows that even the most successful efforts to shift the centre of gravity of government can falter under the weight of Whitehall inertia. At present, the Government's civil service dispersal efforts are led by the Places for Growth Programme in the Cabinet Office, working with the Office for Government Property and departments. While the strategy has achieved notable successes so far, not least the Treasury's Northern campus and the HMRC move to Newcastle, going substantially further will require a more active approach.

As part of the Government's levelling up ambitions, every department should be made accountable for their geographic footprint, and tasked with increasing regional headcount over the Spending Review period. The best way of achieving this would be through transparency, by mandating each department to publish projected breakdowns of staff and floorspace by region over the next four years, against which they could be judged - adding necessary detail to the 2025 targets set out in the Levelling Up White Paper. These should be published openly as league tables to create public accountability for progress. To support longer-term planning, the Government should set a public target for the share of staff and estates in London by 2030 - the long-term date to which the 2018 Estates Strategy is already aligned.

Where this target might be set will be a matter for debate. Merely taking the current average would not be achievable: although 21% of civil servants currently work in London, this average is brought down significantly by populous departments like the Ministry of Defence and Department for Work and Pensions, whose operational functions are largely based outside London. A more appropriate figure may be around two-thirds, which several policy departments, including DEFRA (46%), FCDO

(55%) and the Ministry of Justice (66%) prove is possible, but which would be a marked increase in regional spread for some departments, such as DCMS, HM Treasury and BEIS.

Recommendation 2

Every government department should be required to publish regional projections for civil service headcount and floorspace over the current Spending Review period, with an expectation that no department will have more than two-thirds of staff or office space in London by 2030. This should include non-departmental public bodies, arms-length bodies and independent regulators. These should be published openly as league tables to create meaningful accountability for progress.

But transparency alone may not be enough. After all, annual releases of civil service statistics have shown growing concentration of the civil service in London every year for the last decade or so and yet there has been no real change. The Government should therefore take steps to force departments to take civil service dispersal seriously. There are various ways ministers could achieve this: regular numerical targets agreed with, or imposed upon, every department; an assumption that London-based offices will not be renewed at lease-end unless signed off by the Cabinet Office; or the forced move of civil servants to specific locations. But more consensual and flexible options may be desirable.

For example, the Government could adopt a similar method to the One-In-Two-Out approach to deregulation introduced by David Cameron's Red Tape Challenge. Under this system, departments were required to remove two regulations for every new regulation that they wanted to introduce. An analogous system for civil service dispersal would see departments that had not achieved their anticipated regional projections unable to recruit additional staff in London until they had moved or recruited two roles outside London. If ministers were worried about further concentration of the Senior Civil service in London, they could apply the One-In-Two-Out philosophy specifically to senior civil servants, creating two SCS roles outside London for every additional SCS role created in the capital.

Recommendation 3

To encourage departments to take this expectation seriously, departments that miss their projections for staff dispersal in any given year should adopt a “one-in-two-out” rule for recruitment, whereby they cannot advertise for an additional London-based role until two roles have either been relocated or recruited outside London. This should apply to senior civil servants and lower grades separately, to prevent SCS concentration in London.

The location of senior civil servants matters. For as long as senior leaders are concentrated in Whitehall, ambitious civil servants will consider London to be the place to be and regional offices as inferior for career progression. And if those making decisions are primarily located in Whitehall, those decisions are more likely to reflect the values and biases of people in SW1 rather than those in other parts of the country. As Onward’s polling (among many other surveys) has shown, the views of people in London are markedly different from those in other regions. It is therefore imperative that any attempt at civil service dispersal must include a considerable number of senior roles.

But leadership must not stop in the HR department. If civil servants are to work more from the UK’s regions, so should the ministers they work for. The Chancellor has said that he intends to work from the Treasury’s new Darlington campus; other ministers should do the same. And they should expect their permanent secretaries to lead by example too. We recommend that the Government publicly commits that government ministers and permanent secretaries will work from regional offices outside London at least one day a week, subject to Parliamentary activity, and that meetings of the Cabinet are held in different regions at least monthly. An annual report published by the Cabinet Office could track progress against these commitments to support accountability, making use of the official diaries of ministers and permanent secretaries.

In addition, the civil service should commit to significantly changing the footprint of the fast stream to better reflect the geographic diversity of the United Kingdom. This could be achieved by moving all civil service recruitment assessment out of London - there is no good reason why applicants should be expected to travel to the capital to be assessed - and greater effort made to recruit a wider spread of candidates than is currently the case.

Recommendation 4

Government ministers and permanent secretaries should publicly commit to work from regional campuses at least one day a week - or one week per month - and meetings of Cabinet should take place in every region of the UK at least once a year. The Cabinet Office should publish an annual report outlining adherence to these public commitments, using the official diaries of Ministers and Permanent Secretaries to understand where they have been working.

Recommendation 5

The civil service should reform recruitment and promotion to better reflect regional diversity. The civil service should move the majority - or even the entirety - of civil service fast stream assessment out of London, following the success of the first centre in Newcastle in 2017.

At the same time, senior Civil Service promotion should be contingent on applicants having worked outside London, either at a HMG regional campus or for another public institution based outside the capital.

The case for clusters or campuses in different parts of the United Kingdom

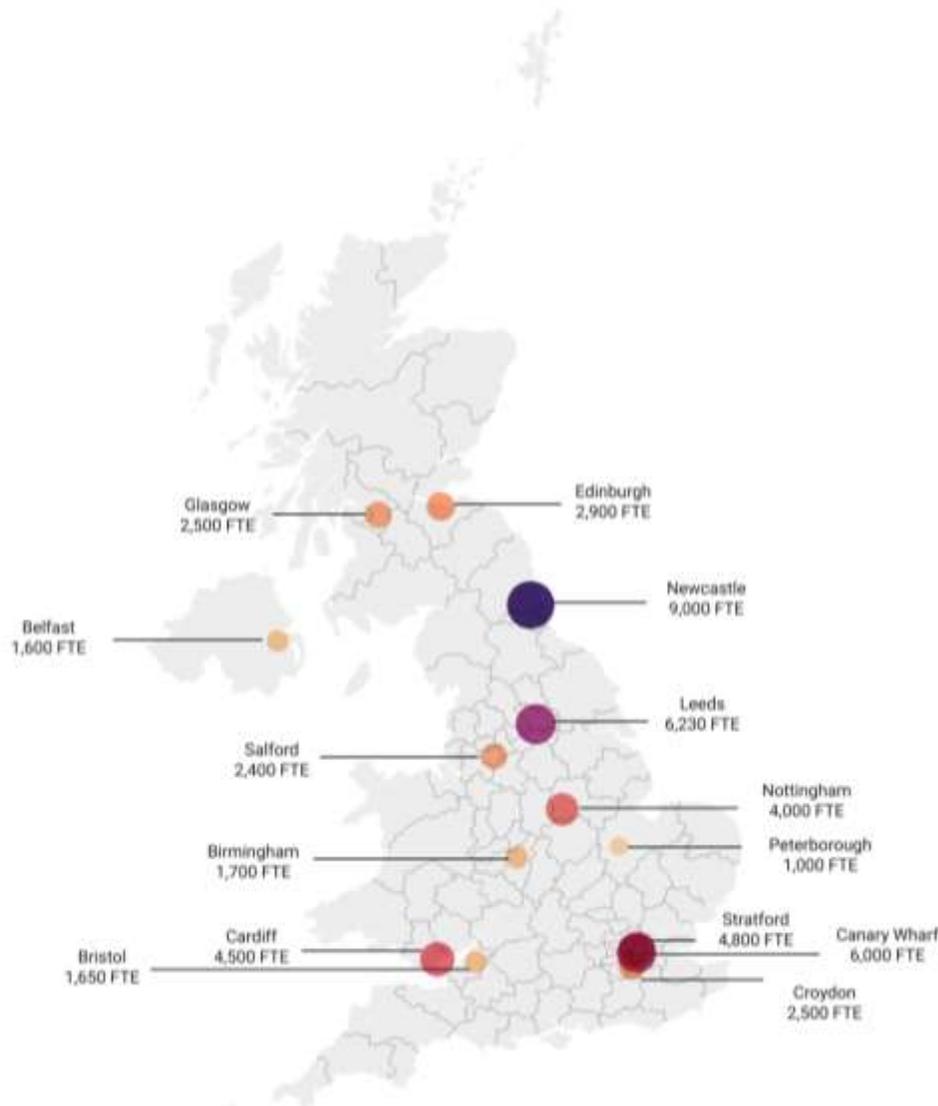
These recommendations will require wholesale change to the government estate, which remains highly concentrated in London. Since 2018, the Places for Growth programme has started to change this, investing in high quality “hubs” outside Whitehall and negotiating with departments to move civil servants to these new locations. This approach has considerable merits: co-location of complementary functions together should generate both efficiencies and greater partnership and innovation, as well as create the infrastructure for a much more dispersed civil service.

The 8 hubs already opened include a 50,000 square metre hub in Canary Wharf, opened in 2017, the 17,500 square metre hub at Queen Elizabeth House in Edinburgh, opened in 2020, and the 35,000 square metre hub in 7-8 Wellington Place in Leeds, opened last year. The Office for Government Property has a further 8 hubs planned to open in the next few years, in Birmingham, Croydon, Glasgow, Liverpool, Manchester, Newcastle, Nottingham and Peterborough.⁸⁴ These are set out in Figure 9 below.

While this represents a considerable regional footprint, it is notable that of the 8 hubs already opened by the civil service, nearly one in three (32%) of the roles they expect to accommodate are in London and only one in seven is in the North or Midlands of England (15%). However, of the remaining 8 hubs, 7 are in those regions, housing up to 24,000 civil servants on current projections. In addition, the Government has subsequently announced the plans to create campuses in Darlington and Wolverhampton to house the Northern Economic Campus and the Department for Levelling Up, Housing and Communities' second headquarters.

Figure 9: Location of opened and planned government hubs

Source: Office of Government Property, Government Hub Network Brochure



The Government should seek to build on these plans, by significantly expanding campuses outside London as the civil service footprint in London contracts. This should not only generate efficiencies - by replacing expensive estate in London with

more reasonable space elsewhere - but multiplier effects for private industry in towns and cities outside the capital, as evidenced by multiple economic studies of previous relocations and suggested by the economic data presented in this report around the ONS move to Newport.

It should also support much greater collaboration with other parts of the public sector. The consolidation of the metro mayor model - and possible extension with county deals - offers considerable opportunities for the Government to bring different local, regional and central functions together within a hub outside Whitehall. This could also be extended to other public sector bodies. The benefits would be multiple: better collaboration across different tiers of government, more efficient use of the public estate - in line with the One Public Estate programme's principles - and greater opportunity for shared services, from public-facing digital and engagement teams to back office functions like HR and finance.

This could be aided by a more enlightened approach to remote working in government. Throughout the pandemic, there have been repeated demands for civil servants to return to their desks in Whitehall rather than to work from home. Putting aside evidence the debate about the productivity benefits of working from home, this further undermines attempts to disperse decision-making out of Whitehall, by implying that effective government can only be undertaken from a single postcode in central London. It is only by embracing flexible working, and allowing civil servants to balance working from their home and their nearest regional hub, that the civil service will be able to retain talent as it seeks to radically alter its geographic footprint.

It has been highlighted that in recent months some government offices in towns have been closing in favour of city centre locations - including HMRC moving their Bootle staff to Liverpool. Whilst there are benefits to co-locating teams on regional campuses, greater consideration should be given to how local workers and firms in smaller towns can maintain access to jobs and contracts if they move to larger towns or city centres, including through flexible working.⁸⁵

Recommendation 6

The Government should significantly expand the number and scale of civil service regional hubs around the UK to support much greater relocation of government functions out of London and to allow for much better collaboration with other parts of the public sector.

Over the long-term, the Government should encourage greater use of remote and flexible working in the civil service, in line with the practices adopted by technology and professional services firms during the pandemic. This should include giving civil servants flexible use of shared campuses around the UK, to encourage organic dispersal of staff over time and reduce estate costs.

Conclusion





Government decisions are affected by *where* they are made in the same way as they are affected by *who* makes them. The fact that a growing share of central government decisions are taken by officials working in London explains Whitehall's collective failure to respond to voters' concerns in recent decades and has likely contributed to the concentration of economic activity in the capital. One way that ministers could both increase the responsiveness of government and drive up regional economic growth would be to transform the footprint of government.

This will not be an easy task. Successive governments have tried to shift the centre of government's gravity, but the civil service remains as centralised as in the mid-1970s. Emergency recruitment to respond to Brexit and the pandemic have further concentrated the civil service in London, despite well-intentioned plans to open a regional hub network. But it is necessary - and achievement will require a much greater pace and scale of dispersal than has been achieved to date.

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⁸³ B. Smith (2021), Civil Service World, '97% of civil servants want work from home option in future - survey'

⁸⁴ Government Property Agency (2021), 'The Growing Network of Government Hubs'

⁸⁵ J. Pickard and P. Foster (2022), 'Closure of UK tax offices in rundown towns undermines levelling up agenda', Financial Times

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