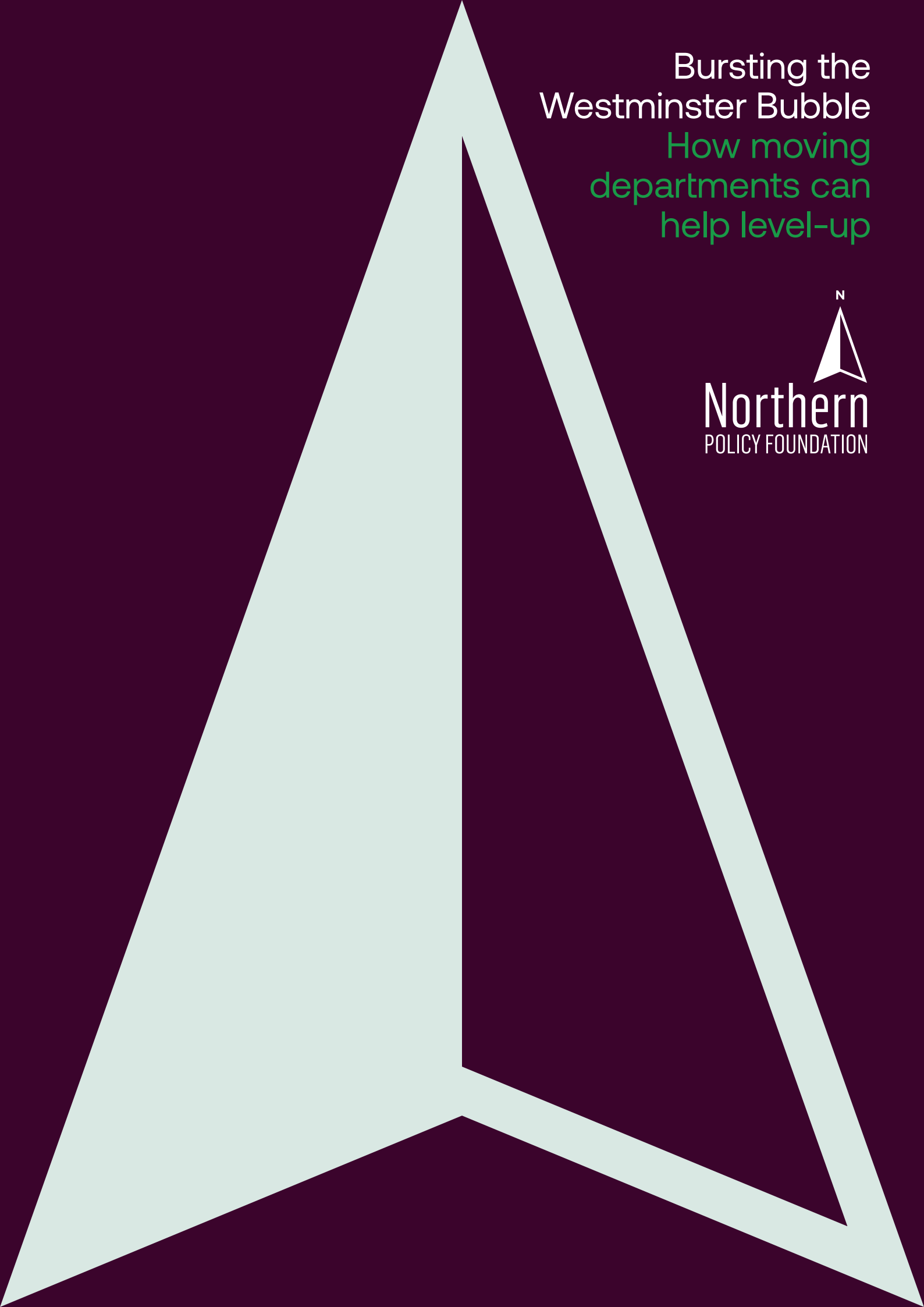
Bursting the Westminster Bubble

How moving departments can help level-up



Northern
POLICY FOUNDATION

Foreword

It is well known that the North of England suffers from a number of long-term structural challenges that need to be addressed. Opportunity, R&D intensity, productivity, skill levels, life expectancy and connectivity all need to be significantly improved. Importantly we also need to give people in unloved and forgotten areas hope for their and their children's futures.

On a positive note the North has growing strengths in some crucial emerging areas of global economic significance - for example clean energy generation - and some essential ingredients for economic success like high-calibre research universities, hard working and determined people, Catapults, land for development, more affordable housing and the potential for a higher quality of life than other parts of the country.

Recently the Government has suggested moving departments and Executive Agencies out of the South East as part of their levelling-up agenda. The idea is not new with the first major report on the subject from Sir Gilbert Flemming in 1963 and the most recent from Sir Michael Lyons in 2004. More recently the BBC moved some operations to Salford, Channel 4 is creating a National HQ in Leeds and the ONS moved to Newport.

Past approaches have largely focussed on potential cost savings of relocation by consolidating the government estate in central London and moving more junior ranks and so-called "back office" civil service roles to areas of lower wages and cheaper rents - with benefits to regional growth and decision-making playing second fiddle.

Seven out of the ten highest civil service grades[1] are located in London compared to just one in twelve across the whole of the North of England. Compared to the most junior grades[2] where a third are located in the North. This approach of "outsourcing" lower paying jobs to the North undervalues the skills and talent the North has, reduces the economic impact of such moves and does little to break Whitehall groupthink.

Politicians of all stripes care about levelling up[3] but Conservatives see it through the moral lense of spreading opportunity and ensuring every child gets the same chance to make best use of their talents, regardless of their background or where they live.

If done well the movement of government departments and agencies can be a force for good: improving decision-making, fostering culture change, boosting confidence and stimulating regeneration. If done badly the cost and disruption will outweigh the benefits.

We must learn from the mistakes of the past and use this opportunity to change government and lives across the North for the better.

Tom Lees
Director, Northern Policy Foundation

1. Grades 6 and 7 and Senior Civil Servants
2. Grade AA, AO and EO
3. YouGov MPs Survey for CBI, June 2020

Executive Summary

7 in 10 senior civil servants are in London

There are 445,000 civil servants employed across 23 ministerial departments and more than 300 agencies and public bodies. The highest regional concentration of civil servants is within London, especially so for senior civil servant grades as well as those in economics and policy roles. **7 in 10 senior civil servants are in London.**

Different administrations of varying stripes have tried to reform the Civil Service, improve its culture and calibre of those at the very top. There have also been at least five attempts over the last six years to relocate roles from the capital, on each occasion the government of the day has encountered institutional resistance and lack of cooperation from vested interests. Over time - and as political interest declined - the Civil Service machine has reverted back to the status quo increasing the concentration of roles in London once again.

While there are significant possible benefits, relocation causes disruption, incurs upfront costs and may cause a temporary productivity drop while new ways of working and structures establish themselves. Given these potential downsides there needs to be a clear rationale for any move and political buy-in from the highest levels for it to succeed.

The case for change

The North of England faces a number of challenges not experienced by London and the South East. These challenges have been created or exacerbated by government policy over the decades or have been neglected as an area which policy makers should be concerned with.

Productivity

Productivity is a good headline indicator for the relative success of an area. It is highly correlated with a number of important outcomes and measures of life quality and chances including: wages, life expectancy, disposable income, crime rates and turnout in elections. Data from the OECD and Eurostat shows that the UK is the third most spatially imbalanced economy in Europe with only Poland and Romania doing worse[4]. This is particularly acute in the North East of England which has actually fallen further behind in real terms over the last decade.

If done well a shift of public sector roles - particularly senior decision-makers and those involved in policy development - to the North has the potential to create an ecosystem of highly productive knowledge industries as well as improving understanding of the challenges faced by local and often forgotten communities.

Innovation

R&D spend (average of both public and private sources) in the North east is around £120 a head compared to £280 in London. Weak innovation systems - for which the public and private sectors are both responsible - are partly to blame for low productivity economies[5]. Investment in R&D comes from either private businesses or from taxpayers through seven research councils,

Innovate UK and Research England. Public sector investment in R&D has a multiplier effect with the private sector generally matching every £1 with £2 of private funds[6]. Where innovation and R&D is strong there are positive spillover effects to the rest of the local economy creating jobs and boosting living standards[7].

R&D spend (average of both public and private sources) in the North East is around £120 a head compared to £280 in London

London, the South East and the East of England (covering Oxford and Cambridge) account for nearly half of all public R&D spending but only have 21% of the population. This is despite the North being home to many of the challenges the innovation funding is trying to solve and being home to the world-leading universities of Durham, York, Sheffield, Liverpool, Manchester and Leeds.

Life expectancy

One of those challenges the North faces is low and in some cases falling life expectancies. Due to a variety of reasons - including cultural norms - **men in Blackpool and Manchester on average die nine years earlier than men in Kensington and Chelsea.**

Most of public R&D funding - around 22% - is allocated to the health and social care research[8]. In large part being hoovered up into what has been called the "Biomedical Bubble" of big pharmaceutical companies who are effective in lobbying and shaping political thinking.

Why is there such a mismatch between public R&D funding and the critical challenges and opportunities the UK faces?

Men in Blackpool and Manchester on average die 9 years earlier than men in Kensington and Chelsea

Hope

The North, particularly the North East and Yorkshire and the Humber have far higher rates of people taking their own lives compared to London and the South East. The Samaritans[9] suggest that workplace, housing and financial problems are some of the key causes of suicide which would correlate with some of the challenges seen in parts of the North. People can also feel they are stuck within a "career cul-de-sac" where there are few job opportunities, chances of meaningful work or are in precarious employment.

Directly moving roles will clearly create opportunities for local people and by ensuring senior roles move too there can be clear career pathways to prestigious roles.

Political

In the 2016 EU Referendum it was also clear that the perspectives, values and priorities of people in the North of England was quite different from those in London and the South East.

Given that policy-makers should want to understand and respond to the concerns of those who they represent, moving some decision-making centres outside of London has the potential to help add diversity of thought into the political machine.

4. UK Regional Productivity Differences:An Evidence Review, Industrial Strategy Council, February 2020
5. The Missing £4 Billion: Making R&D work for the whole UK, R Jones and T Forth, NESTA, May 2020
6. Ibid.
7. University Innovation, Local Economic Growth, and Entrepreneurship, N Hausman US Census Bureau, Center for Economic Studies, 2012.
8. OECD, 2019
9. Suicide Statistics Report 2019, Samaritan

Benefits of relocation

Some quarters may cynically criticise any civil service relocations efforts as a "gimmick", but if done well the evidence shows that it can generate a number of potential benefits and be a powerful force for good.

Jobs and opportunities will be created for local people due to not all incumbents wanting to move and natural attrition. Academic research has also shown that historically for every 10 public sector roles relocated just under 12 have been created in the private sector. If senior roles are moved this private sector boost could be increased with a focus on creating local knowledge-industry jobs.

Relocation can be used as an opportunity for a "fresh start" to reorganise teams and how services are delivered. Previous relocations have also shown lower staff turnover rates, improved quality of life for staff and improved quality of work.

Looking at 23 first and second Permanent Secretaries (and equivalents) across departments we find that

8 in 10 attended private schools

1 in 10 have a STEM background

Tapping into the Northern talent pool for recruitment can help improve the diversity in the senior ranks of the Civil Service (in the broadest sense) and find those with perspectives and life experiences more in tune with the country.

There have been many accusations of "groupthink" and lack of diversity within the top of the Civil Service and within policy functions.

Not diversity in the narrow sense of gender and ethnicity but diversity of thought, life experience, skills and perspective. **Looking at 23 first and second Permanent Secretaries (and equivalents) across departments we find that 8 in 10 attended private schools, more than three quarters went to Oxford or Cambridge and only 1 in 10 have a STEM background.**

Given this overrepresentation we suggest that the networks formed within schools and universities is helping those from the "right" backgrounds to rise quickly to the top or to be appointed to the top Civil Service ranks.

The Lyons Report made the suggestion that it was important to move enough Senior Civil Service ranks from London (which didn't happen) to new Civil Service hubs to try and tackle a "Twin Culture" that existed - and we suggest still exists - of those who are close to decision-making power having a sense of superiority with those in the regions feeling marginalised and "out of the loop".

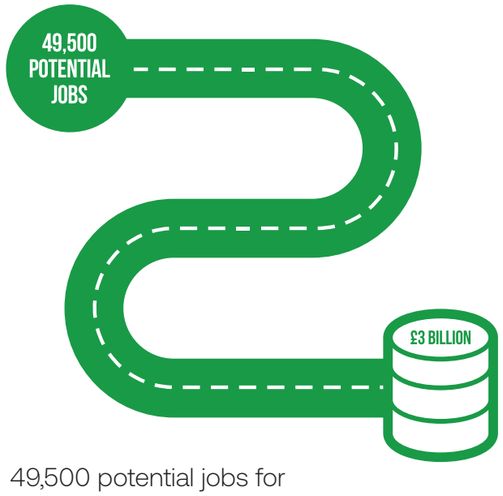
Geographical relocation of these senior ranks could help promote recruitment from a more diverse range of life experiences, expertise and backgrounds while tackling the Twin Culture problem.

While cost reductions should not be the driving reason for the relocation of departments and agencies from London, in the long term modest savings could be made through the rationalisation of the Government estate in central London - including some of the most expensive property areas in the country - and the removal of the need to pay the London weighting for the relocated civil servants.

Essential ingredients of success

Drawing on the experience of moving part of the BBC's operations to MediaCityUK in Salford[10,11], the move of the Office for National Statistics to Newport and the relocation of 25,000 roles as a result of the Lyons Review[12] as well as international experiences, in particular, those from Norway[13] and Germany[14] we draw out seven important success factors that are essential to any future relocation efforts:

1. **Clear purpose**. Past moves have largely been driven by cost savings, this is wrong. The purpose of this renewed effort must be levelling-up through the creation and movement of high-quality knowledge-based jobs which can also improve policy development and break groupthink.
2. **Seniority**. Seven out of ten senior grades are in London creating "Twin Cultures" and in effect "Civil Service Factories" of only junior grades in delivery roles in the regions. Any future relocation efforts must include a large proportion of Senior Civil Servants and those within policy roles.
3. **Clusters**. We should look to create clusters of complementary or analogous organisations which should then induce agglomeration benefits and an enhanced private sector multiplier effect.
4. **Deep enough labour market**. Locations selected for future moves need to have enough depth in their existing relevant local labour markets and be of reasonable scale so that any vacant roles can be filled while also giving wider career opportunities to those wishing to leave public service.
5. **Location**. Previously (to cut costs) many relocations have been to out of town industrial and business parks. While this may reduce costs it also generally lowers the regeneration benefits of any relocation.
6. **Sustained effort**. Moving organisations away from the status quo, battling vested interests and changing culture requires significant focus, determination and effort. The Cabinet Office should create a Programme Management Office to coordinate the moves.
7. **Commercial decisions**. The UK Government can and should leverage its name, credit rating and purchasing power to secure flexible and good value (which doesn't mean cheapest) office space. Overly long lease agreements should also be avoided to give flexibility.



49,500 potential jobs for relocation which could have an economic impact of nearly £3bn a year

Relocations

We have created a seven-component index to assess where might be best to relocate departments and agencies to create eleven 'clusters' as shown in the map below. We have limited the index so that only one cluster is allocated per local authority area.

We identify around **49,500 potential jobs for relocation which could have an economic impact of nearly £3bn a year** as well as improving decision-making, diversity of thought, career opportunities, quality of life and, probably most importantly, breaking the stranglehold of the middle-class London intelligentsia on policy making in the UK.

10. Relocation of public sector workers: Evaluating a place-based policy, Journal of Urban Economics, G Faggio, 2019
11. Should we move public sector jobs out of London?, Centre for Cities, August 2017
12. Lyons Review, 2004
13. From controversial policy idea to successful program implementation: the role of the policy entrepreneur, manipulation strategy, program design, institutions and open policy windows in relocating Norwegian central agencies, H Sætren, University of Bergen, Policy Sciences, Springer;Society of Policy Sciences, 2016
14. The Impact of Public Employment: Evidence from Bonn, S Becjer, Centre for Economic Studies, Ludwigs Maximilians University, CESifo GmbH

The views of previous ministers

"There were times when there were bits of the department still assiduously pursuing the policies of the previous government and there were one or two problems caused by people not doing it even very well. It's one thing not to be pursuing a policy of the government, it's another thing to screw it up."

Margaret Beckett, Labour, Foreign Secretary 2006-2007, Secretary of State for Environment, Food and Rural Affairs 2001-2006, Leader of the House of Commons 1998-2001

"The Civil Service had changed quite a lot. Generally for the worse... in the sense that people just didn't know what they were talking about so they were saying that things were impossible which were in fact perfectly possible, or saying that things were possible that were in fact quite impossible."

Oliver Letwin, Conservative, Chancellor of the Duchy of Lancaster 2014-2016, Minister of State for Government Policy 2010-2015

"Generally speaking there is very little delivery management and project management capability in the Civil Service."

Liam Byrne, Labour, Chief Secretary to the Treasury 2009-2010, Minister for the Cabinet Office 2008-2009

"Too often my concern was that it [the Civil Service] was too passive in the face of a general ministerial direction and therefore afraid of serving up things that it didn't think would be welcome."

David Laws, Liberal Democrat, Minister of State for the Cabinet Office 2012-2015, Minister of State for Schools 2012-2015

"I was sadly disillusioned by the extent of sheer inertia and obstruction, often passive but sometimes active obstruction in the civil service."

"I think you need to have more stasis in the Civil Service, less rotation, more people staying put, building deep knowledge, being able to be promoted within the same area in a way a normal, sane organisation would do – instead of people being rotated as soon as they know anything about it."

Francis Maude, Conservative, Minister for the Cabinet Office 2010-2015

"Departments are really struggling to manage arm's-length bodies that are delivering critical public-facing services...we don't have, through our departments in Whitehall, the insight into what's going on in these arm's-length bodies, nor do we have really effective levers to get them to move at the speed we need them to move when a crisis hits."

Jo Johnson, Conservative, Minister of State for the Cabinet Office, 2014-2015, Minister of State for Universities 2015-2019 (with a 18 month gap)

"I think we are seeing less and less people willing to move into government from the private sector. And I think that we don't do enough [on] skills – if it was business, you'd do a skills matrix. What skills are we looking for, what do they need, have they got the attributes to be able to cope and not make a mess."

"Too many of the policy makers lived in a life cocooned, all in their little bubble. They eat together, they drink together, you know, a lot of them sleep together. They literally are in this village, which they describe and they don't get out a lot."

Lord Mervyn Davies, Labour, Minister of State for Trade 2009-2010

"There is so much talent in the Civil Service and a frustration would be that they are not recognised. Which I think is a big deal."

"The loss of institutional knowledge is quite a big thing...you know, Sir Humphrey is much maligned and there's lots of Sir Humphreyisms around, but it's also quite useful to have somebody experienced."

Alistair Darling, Labour, Chancellor of the Exchequer 2007-2010, Secretary of State for Trade and Industry 2006-2007, Secretary of State for Transport 2002-2006

"[Politicians] come up against the civil service, which is honest, stuffed full of decent people who work hard, but frankly the job could be done with half as many.

"I was amazed, quite frankly, at how many people deserved the sack and yet that was the one threat that they never ever worked under, because it doesn't exist...I was always told [underperforming civil servants] will just be moved sideways and they will go off to another department."

Lord Digby Jones, Crossbench, Minister of State for Trade 2007-2008

Chapter 1:
The case for change

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The case for change

Moving departments - in part or whole - and Executive Agencies can cause disruption, a drop in productivity, impacts on morale, redundancy payments and required up front investment and funding with an estimated cost of £15m when a department goes through significant upheaval or merger[15].

These downsides mean that there should be good reasons and rationale for any upheaval. The North of England - and other regions outside of London and the South East - face multiple longstanding challenges not experienced in the capital. Governments of all colours and the policy choices they have made have played a significant role in creating these issues and hence have a substantial role to play in overcoming them.

We believe that there is a coherent case for the significant movement of civil service functions from London and the South East, especially senior roles and those from within policy development.

The COVID-19 pandemic has opened eyes and undoubtedly changed mindsets about the use of video conferencing platforms such as Zoom, Microsoft Teams and Google Meet for staying in contact and collaboration. While meeting physically is still and forever will remain important, we suggest that agglomeration clusters of relevant government functions can be created in the North while using digital platforms and infrequent in person meetings in London to stay in touch where needed.

On the following pages we set out some of the challenges the North faces and the potential benefits of moving a significant amount of civil service roles from the Capital.

There is a huge untapped potential around the North of England that has gone to waste for generations. Not only do we have a moral obligation to tap into that potential we also have an economic reason too.

Productivity

One of the best headline indicators for an area is productivity. Work from the OECD and the Office for National Statistics has shown how highly correlated productivity is with a number of important outcomes and measures of life quality and chances including: wages, life expectancy, disposable income, crime rates and turnout in elections.

Gross value added (GVA) per head is the normal measure of productivity. Figure 1 shows the clear regional productivity divide seen in the UK, plus how productivity has changed since 2010. In the last decade, in particular since the 2008 financial crash, it also shows how many areas have in fact fallen further and further behind.

Only London and the South East have productivity levels above the UK average, with the North East second worst and Yorkshire and the Humber fourth worst out of the twelve NUTS1 regions. Output per worker in London is actually more than double the average output per worker for the whole of the North of England.

Interestingly as the London School of Economics Centre for Economic Performance states:

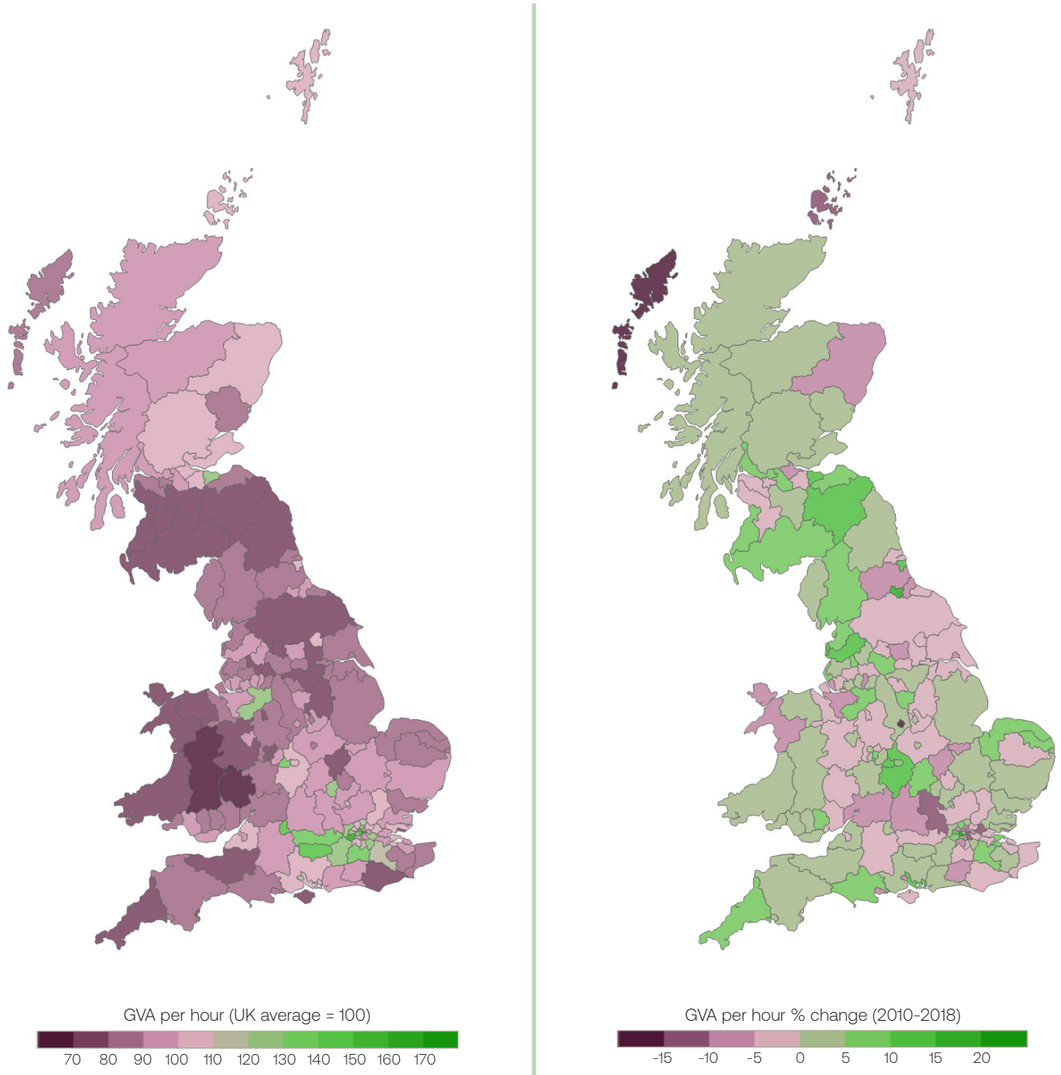
> *"London's higher productivity is not simply due to its sectoral make-up, but largely reflects the fact that within certain industries (and particularly in the knowledge intensive service industries) London firms are more productive than firms in the same sector in other regions"* [16].

The UK is not alone in having regional variation in productivity as shown by Figure 2 which shows GVA per worker for the UK, Germany, France and Italy. However what can also be seen from this figure and the raw data from OECD and Eurostat is that the UK is the third most spatially imbalanced economy in Europe with only Poland and Romania doing worse[17].

If done well a shift of public facing Executive Agencies and government departments - particularly senior decision-makers and those involved in policy development - to the North has the potential to create an ecosystem of highly productive knowledge industries to support them in their new locations.

Comprehensive research from Dr Giulia Faggio has shown that even with the less than ideal approach taken in the past for relocations for every 10 public sector jobs that were moved just under 12 private sector jobs were created in the same local area[18].

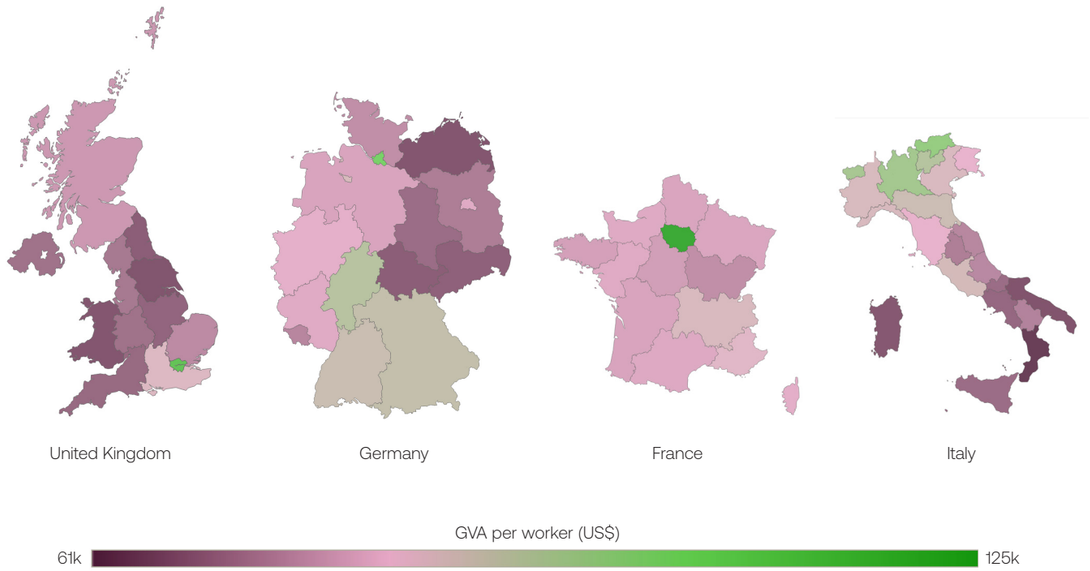
Figure 1: GVA per hour worked and % change between 2010-2018



15. Institute for Government
16. Industry in Britain - An Atlas, S Bernick et al, Centre for Economic Performance, London School of Economics, September 2017
17. UK Regional Productivity Differences:An Evidence Review, Industrial Strategy Council, February 2020
18. Relocation of public sector workers: Evaluating a place-based policy, Journal of Urban Economics, G Faggio, 2019

Figure 2: Regional GVA per worker (US$) for UK, Germany, France and Italy (2018)

Source: OECD



Innovation

A number of parts of the North are stuck in a low productivity, low growth, low wage and low knowledge cycle. Investment in innovation and R&D is the key to escaping this cycle and improving wages and life opportunities.

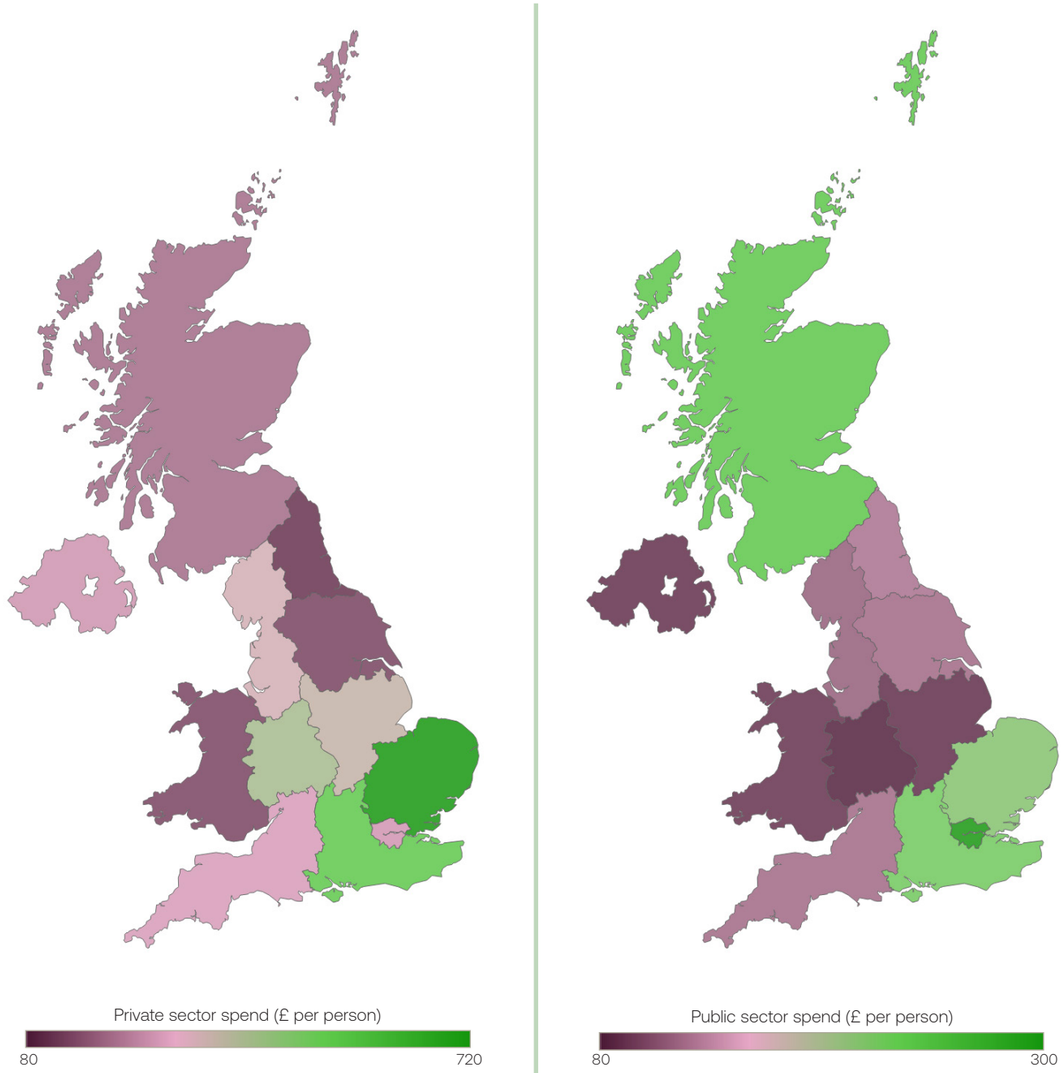
Weak innovation systems - for which the public and private sectors are both responsible - are partly to blame for low productivity economies[19]. Investment in R&D comes from either private businesses or from taxpayers through seven research councils, Innovate UK and Research England. Public sector investment in R&D has a multiplier effect with the private sector generally matching ever £1 with £2 of private funds[20]. Where innovation and R&D is strong there are positive spillover effects to the rest of the local economy creating jobs and boosting living standards[21].

As shown by Figure 3 - which uses data from the OECD - there is a clear disparity in where the taxpayer invests in R&D with London, the South East and the East of England (covering Oxford and Cambridge) doing far better per head than most of the rest of the country. Those regions account for nearly half of all public R&D spending but only have 21% of the population whereas the North has underinvestment from both the public and private sectors.

This is despite the North being home to many of the challenges the innovation funding is trying to solve for example clean energy, long term health conditions, lower life expectancies and advanced manufacturing.

Research funding should of course go to the UK's best research-led universities and translational research centres which practically apply innovations to the real world. With the North home to the universities of Manchester, Durham, York, Sheffield and Leeds all featuring within the Top 200 research universities globally[22] why is the North's share of public R&D spending so low?

Figure 3: Regional private and public investment in R&D



19. The Missing £4 Billion: Making R&D work for the whole UK, R Jones and T Forth, NESTA, May 2020
20. Ibid.
21. University Innovation, Local Economic Growth, and Entrepreneurship, N Hausman US Census Bureau, Center for Economic Studies, 2012.
22. Times Higher Education, World University Rankings 2020

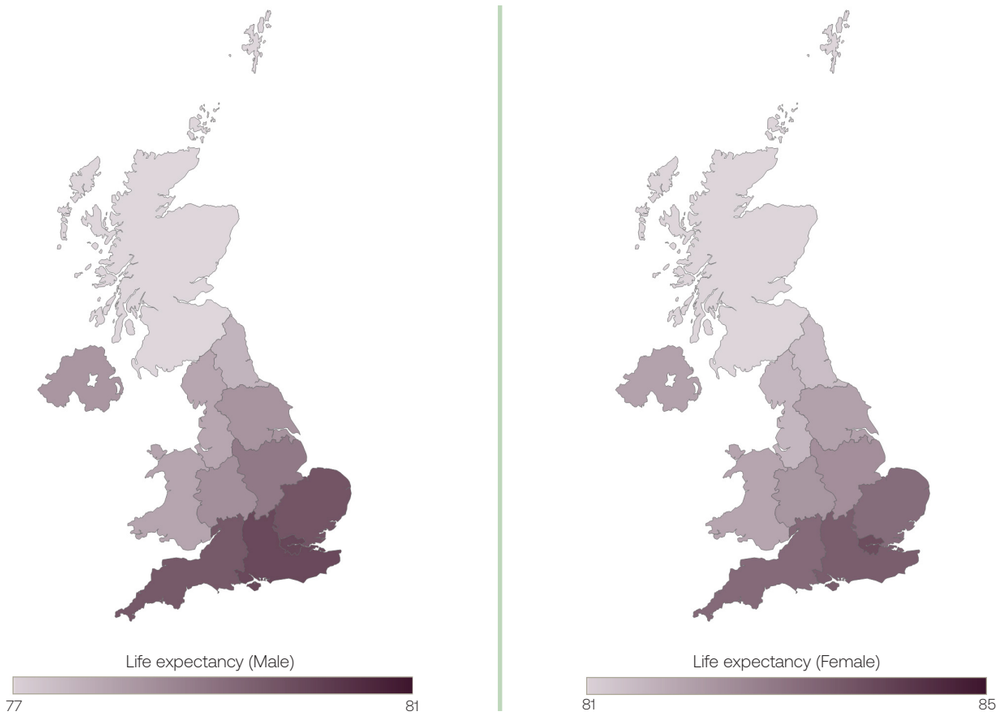
Research published by NESTA suggests that an additional £1.6 billion a year would need to go to the North of England to level-up public per capita spending and interestingly that ***"the unbalanced geographical distribution of R&D spending is not a given. It is a result of policy choices, and those choices can be made differently to achieve better outcomes.[23]"***

While it is welcome that the UK Government has pledged to raise R&D intensity from 1.7% to 2.4% (the OECD average) by 2027, unless there is a radical change in mindset, culture and approach from key decision-makers this will mean more money going to the already successful areas of London, Oxford and Cambridge.

Life expectancy

Most of public R&D funding - around 22% - is allocated to the health and social care research[24]. In fact the past 15 years have seen significant increases in R&D directed towards healthcare reflecting the UK's strong university performance in this area and global expertise in pharmaceuticals[25]. As Figure 4 clearly shows, in broad terms the further north you go in the UK the lower your life expectancy. The data becomes even more stark on a local level. Men in Blackpool and Manchester on average die nine years earlier than men in Kensington and Chelsea.

Figure 4: Life expectancy for men and women across the UK



23. The Missing £4 Billion: Making R&D work for the whole UK, R Jones and T Forth, NESTA, May 2020
24. OECD, 2019
25. A Resurgence of the Regions: rebuilding innovation capacity across the whole UK, R Jones, May 2019
26. The Biomedical Bubble: Why UK research and innovation needs a greater diversity of priorities, politics, places and people, R Jones and J Wilsdon, NESTA, July 2018
27. Suicide Statistics Report 2019, Samaritans

Given this dramatic divide across the country you might expect that a reasonable share of public R&D spend on healthcare would go to places near where the acute challenges exist. Sadly that is not the case, with more than half of that spending going to London, Oxford and Cambridge. There are a number of potential reasons for this:

1. What a NESTA[26] report has termed the 'Biomedical Bubble' which is the dominance of the pharmaceutical industry in shaping policy thinking.
2. The dominance of funding bodies by those from London and the South East.
3. A mismatch between funding priorities, the specialisms and areas of focus of Northern universities and the burdens of certain conditions on society and the NHS.

Hope

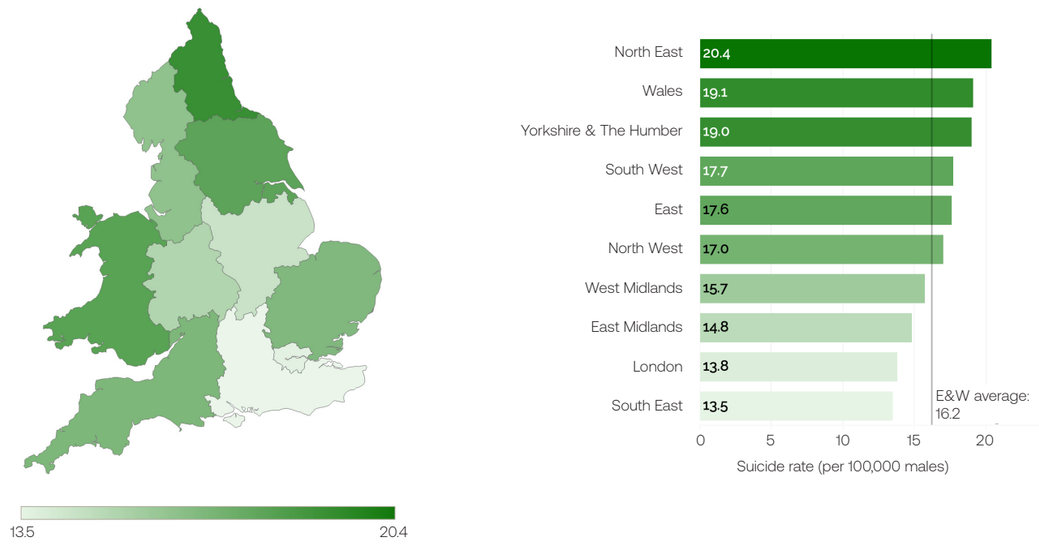
After many years of neglect, being unloved and feeling forgotten by politicians, decision makers and the media there is a troubling lack of hope for the future in many parts of the North of England. One of the fundamental pieces of the implicit social contract that a government has with the people is that it will work to improve things for the future. That the next generation will not face the same challenges of the last and their opportunities to live a good and fulfilling life will be improved.

While experimental statistics from the Office for National Statistics show that in broad terms there are no strong trends in happiness levels, life satisfaction rates or feelings of worthwhile across the country there is a statistically significant difference in suicide rates. The North, particularly the North East and Yorkshire and the Humber have far higher rates of people taking their own lives compared to London and the South East.

The Samaritans[27] suggest that workplace, housing and financial problems are some of the key causes of suicide which would correlate with some of the challenges seen in parts of the North. As well as the economic imperative to level-up the North these statistics also suggest that there is a particular moral imperative too.

Moving departments and Executive Agencies will not be a silver bullet that tackles these challenges, but it can help. Public sector moves can provide direct employment, career opportunities in places where there are few, make people feel more connected to decision makers and stimulate wider regeneration and growth.

Figure 5: Suicide rates across England and Wales, 2018

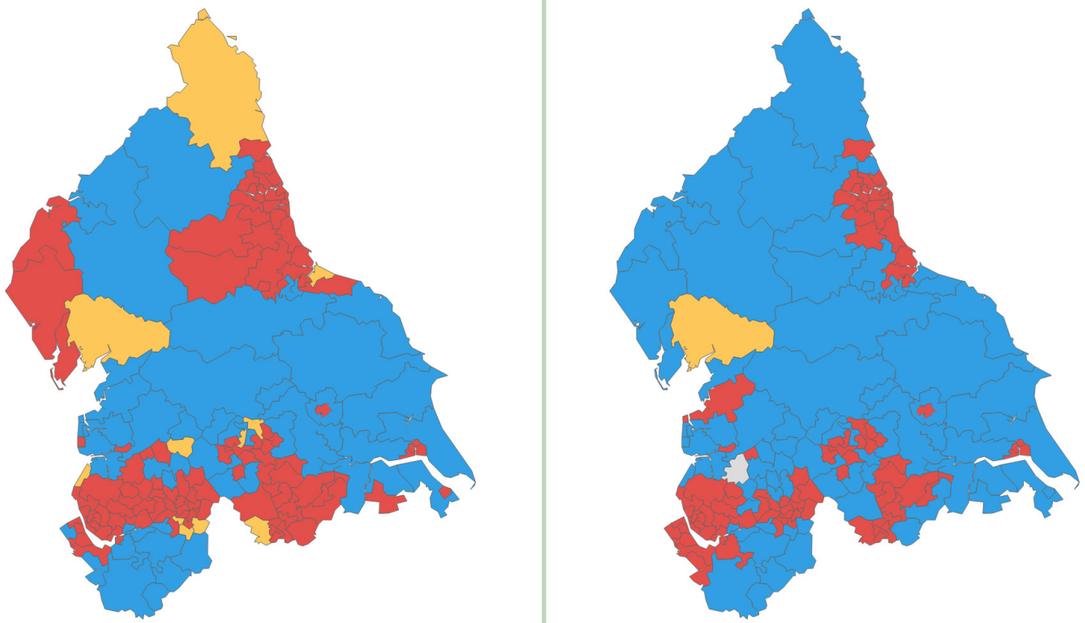


Political case

A recent YouGov[28] survey of members of parliament put reducing regional inequalities as their second highest priority after securing a trade deal with the EU. Support also seems to be cross party with around half of Conservative MPs and three quarters of Labour MPs in support of efforts to spread the benefits of economic growth around the UK.

From a cynical perspective you could argue that the Conservatives and Labour parties both have a specific interest in wooing the support of Northern voters who seem to have become a deciding battleground in future elections. The electoral map across the North has radically changed between 2010 and 2019 with larger parts of the North turning blue as can be seen in Figure 6.

Figure 6: Changing electoral picture in the North of England



2010 winners

2019 winners

In the 2019 General Election the Conservatives gained 7 seats in the North East, 12 seats in the North West and 9 seats in Yorkshire and the Humber. **Out of the 48 seats the Conservatives gained 28 (60%) of them were in the North of England.**

From the 2016 EU Referendum it was also clear that the perspectives, values and priorities of people in the North of England was quite different from those in London and the South East as can be seen from Figure 8.

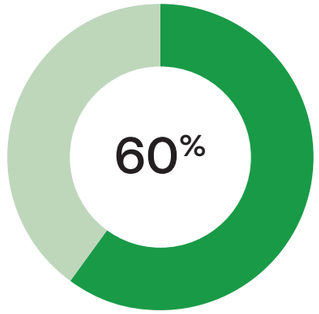
In principal Civil Servants are meant to ensure their own political persuasions do not impact and influence their work. In the real world we know that no matter how hard people try and by the very nature of certain roles, value judgments are made and personal life experience and prejudices influence the direction of work and policy suggestions.

Although 71% of the Civil Service is located outside of London and the South East, over the last ten years the Civil Service has become increasingly concentrated again. At the time of the Lyons Review 18.6% of the Civil Service was located in London, due to concerted effort this fell to around 16% in 2009 but the latest data available shows that over 20% of roles are now in London.

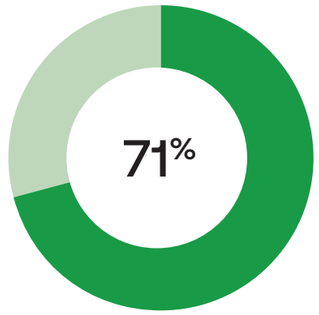
The capital also retains 52% of Civil Service Grades 6 and 7 and **71% of the Senior Civil Service** who make up the key decision makers, policy advisors and set the tone and direction of departments.

Given that policy-makers should want to understand and respond to the concerns of those who they represent, moving some decision-making centres outside of London has the potential to help add diversity of thought into the political machine.

As well as senior grades being concentrated in London, certain professions are also particularly clustered there; 75.4% of those in economics roles, 71.7% in international trade, 63.8% in policy, and 53.8% in communications. Other professions tend to be more evenly distributed.



Out of the 48 seats the Conservatives gained 28 (60%) of them were in the North of England.

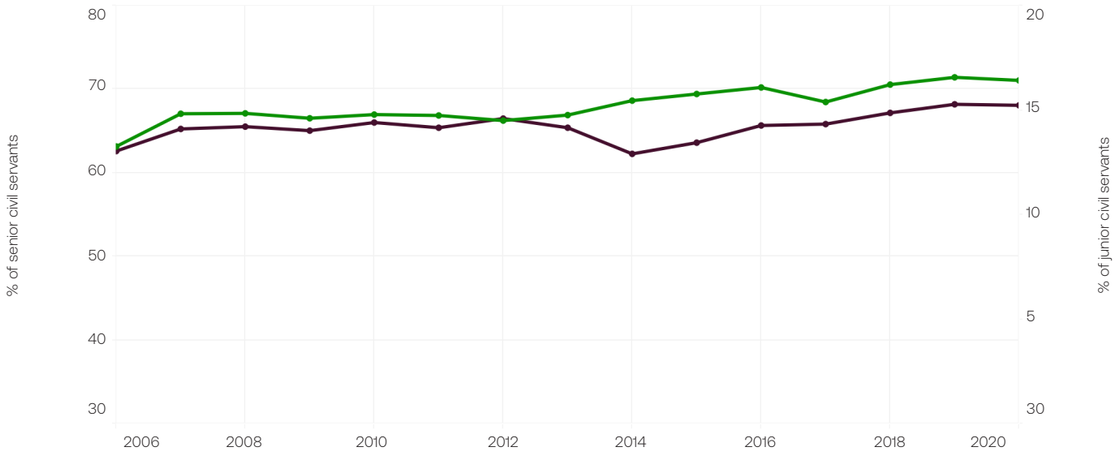


71% of the Senior Civil Service are based in London

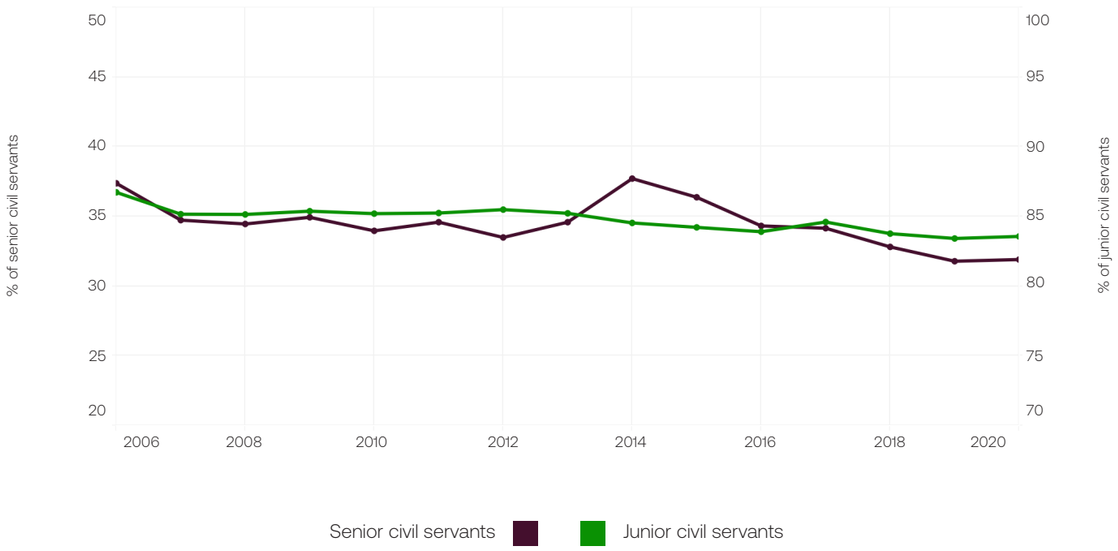
28. YouGov - Political Trackers Rotation 6, 4-6 July 2020

Figure 7: Location of the civil service over time

London



Outside London



Chapter 2:
The benefits of relocation

Northern
POLICY FOUNDATION

The benefits of relocation

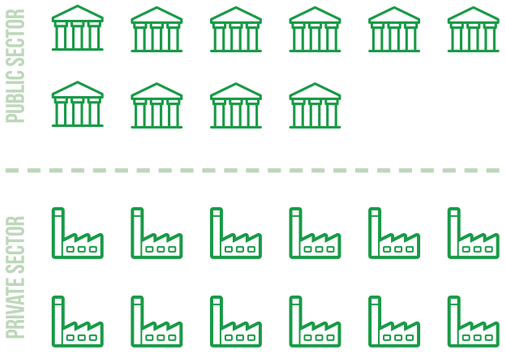
Some quarters may cynically criticise any civil service relocations efforts as a "gimmick", but if done well the evidence shows that it can generate a number of potential benefits and be a powerful force for good.

Job creation

When moving jobs to a specific area not all current holders of those roles will want to or be able to move from London which will create new opportunities for local people to take up these rolls. Additionally, increased local public sector employment will create additional demand and therefore jobs in the private sector.

The approach taken in previous relocation efforts has been to shift so-called "back office" roles out of the capital to other regions of the UK. These roles are the more junior grades which are lower paid and generally focussed on delivery rather than strategic direction and policy. This approach is analogous to the significant offshoring of things like IT support services done by many large corporations, only that instead of New Delhi jobs were moved to places like Liverpool and Leeds.

Comprehensive research from Dr Giulia Faggio has shown that even with the less than ideal approach taken in the past for relocations for **every 10 public sector jobs that were moved just under 12 additional private sector jobs were created** in the local area[29].



Every 10 public sector jobs that were moved just under 12 additional private sector jobs were created

Regeneration multiplier

Studies into previous relocation efforts have shown that the movement of public sector jobs creates additional jobs in the private sector - a "multiplier effect". Unfortunately, due to the main driving force of previous moves (cost reductions) the private sector roles created were often insecure, low productivity and low wage roles largely in the service sector.

Improved service quality

Analysis of previous relocation efforts[30] suggested that service delivery was improved by the moves with interviewees reporting lower staff turnover rates, improvement in quality of life for staff (lower house prices and shorter commutes for example) and opportunity to use the relocation to improve organisational culture and performance.

Better representation

There are concerns that the policy-making parts of the Civil Service are too preoccupied with what is going on within the Westminster Bubble rather than the things that have a meaningful impact on peoples' everyday lives. Additionally there have been repeated accusations of so-called "Remainer bias" within the Whitehall Civil Service.

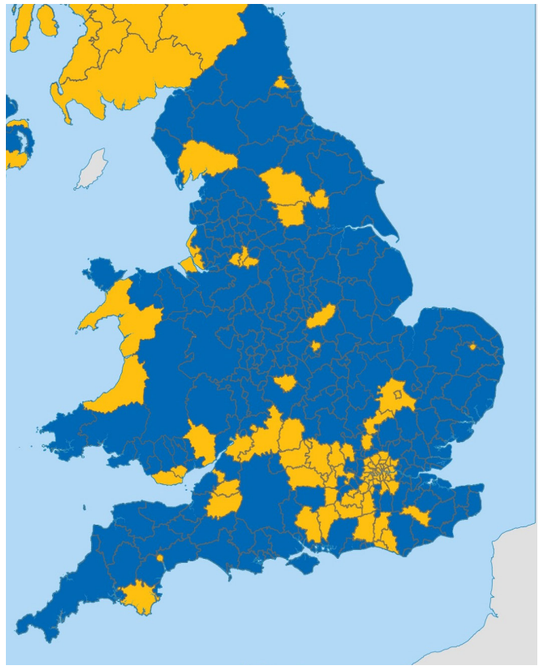
In Professor Sir Paul Collier's excellent book *The Future of Capitalism*[31] he clearly sets out the wide divide in priorities, morals, life-experience and identity that have grown up over the past 30 or so years:

29. Relocation of public sector workers: Evaluating a place-based policy, Journal of Urban Economics, G Faggio, 2019
30. Lyons Review, 2004
31. The Future of Capitalism, P Collier, Penguin Economics, 2018

> *Not only are [places like London] becoming much richer than the provinces, socially they are becoming detached and no longer representative of the nation of which they are often the capital.*
>
> *[Politics] became captured by an entirely different group of people who became disproportionately influential: middle-class intellectuals.*
>
> *They have forged themselves into a new class, meeting at university and developing a new shared identity in which esteem comes from skill. They have even developed a distinctive morality, elevating characteristics such as minority ethnicity and sexual orientation into group identities as victims. On the basis of their distinctive concern for victim groups, they claim moral superiority over the less-well educated...stigmatized as the 'white working class'.*
>
> *But ordinary families noticed, not least because, divorced from communities, some of the policies favoured by the [middle-class intellectuals] were damaging and unpopular. They ran the state from the metropolis, which was thriving, and targeted assistance on those groups judged to be most in need: the 'victims'.*
>
> *Even when the working class ticked some of the victim characteristics...victim status was withheld from the white working class."*

The EU referendum was a clear illustration of the divergent worldviews of London, it's commuting towns and most of the rest of England and Wales (Figure 8). Ex-senior civil servants give us a glimpse into the mindset and attitude of the upper echelons of the UK's permanent political class, Sir Nicholas Macpherson has spoken about "limiting the damage" caused by Brexit, Lord Gus O'Donnell backed a second referendum and accused Brexiteers of "selling snake oil", Lord Robin Butler spoke of "rabid Brexiteers" and Lord Turnbull compared Brexiteers crisiticing gloomy treasury forecasts to approaches taken by Nazis on their rise to power.

Figure 8: 2016 EU Referendum results



The most recent polling by YouGov[32] on political priorities also shows the dividing lines are not just Brexit, but that the North prioritises concerns over immigration, health, education and the state of the economy at a statistically significantly higher rate than those in London.

Civil Service analysis and policy proposals have a major impact on Ministerial thinking and the direction of government. People may naively suggest that these personal views have no impact on how Civil Servants perform while in their roles and hold up the Civil Service values of honesty, integrity, impartiality and objectivity. In reality there is no such thing as a perfectly "unbiased" person. Your views, life experiences and morality all impact how you approach problems and the solutions you are likely to suggest.

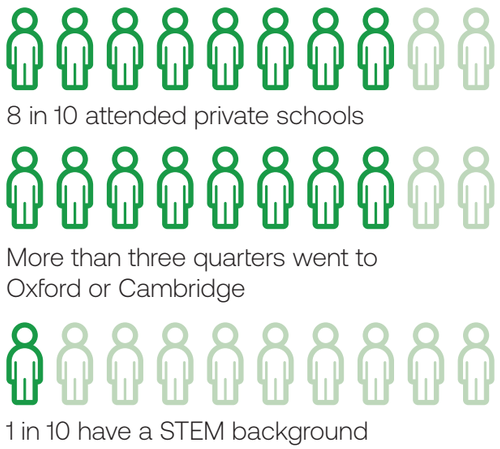
32. YouGov - Political Trackers Rotation 6, 4-6 July 2020

Tapping into the Northern talent pool for recruitment can help improve the diversity of the senior ranks of the Civil Service (in the broadest sense) and find those with perspectives and life experiences more in tune with the country.

Breaking the 'old boys and girls network'

There have been many accusations of "groupthink" and lack of diversity within the top of the Civil Service and within policy functions. Not diversity in the narrow sense of gender and ethnicity but diversity of thought, life experience, skills and perspective.

We have already discussed how 68% Senior Civil Service grades are located in London, we have done new research looking in more detail at the most senior civil servants: Permanent Secretaries. Looking at 23 first and second Permanent Secretaries (and equivalents) across departments we find that **8 in 10 attended private schools, more than three quarters went to Oxford or Cambridge and only 1 in 10 have a STEM background**.



While you would want and hope for those from the best universities to commit to public service, the overrepresentation of Oxford and Cambridge and lack of those with state school education is noticeable.

Given this overrepresentation we suggest that the networks formed within schools and universities is helping those from the "right" backgrounds to rise quickly to the top or to be appointed to the top Civil Service ranks.

The Lyons Report made the suggestion that it was important to move enough Senior Civil Service ranks from London to new Civil Service hubs to try and tackle a "Twin Culture" that existed - and we suggest still exists - of those who are close to decision making power having a sense of superiority with those in the regions feeling marginalised and "out of the loop".

Geographical relocation of these senior ranks could help promote recruitment from a more diverse range of life experiences, expertise and backgrounds while tackling the Twin Culture problem.

Quality of life and overheating

London is well known as an expensive place to live and work, meaning that those willing and able to relocated from the capital to the new regional locations should be able to enjoy a higher standard of living due to lower prices even with the removal of London weighting.

Work from the Office for National Statistics[33] shows that the cost of living in London (excluding housing) is 7.2% higher than the UK average or 9.5% higher than Yorkshire and the Humber and 6.4% higher than the North West and East.

Looking at Land Registry data[34] (Table 1) the average price of a home in London is £480k which is nearly four times higher than a house in the North East (£126k).

33. Relative regional consumer price levels of goods and services, UK, Office for National Statistics, 2016

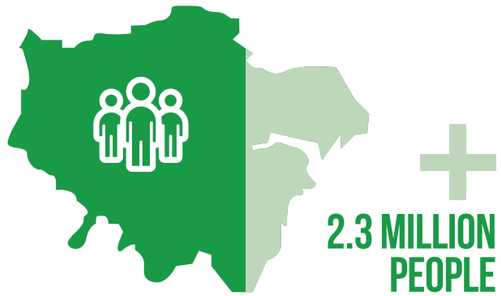
34. UK House Price Index, HM Land Registry, April 2020 (Published August 2020)

Table 1: UK House Price Index

Country and region	Price
Scotland	£153,281
Wales	£169,489
East Midlands	£200,513
East of England	£295,640
London	£480,425
North East	£125,938
North West	£167,809
South East	£327,413
South West	£255,891
West Midlands Region	£202,093
Yorkshire and The Humber	£165,561

Looking at areas where there is the most significant mismatch between supply and demand, 18 of the top 20 local authorities under pressure are in London or its commuter belt.

As well as the quality of life improvements for those who move, the relocations could help London too. Its deep and strong labour market mean that the movement of tens of thousands of jobs will have little to no noticeable impact on its employment plus it may help to slightly ease some of the pressures on its public services, housing and transport network (pre COVID-19). **In the last three decades London's population has increased by a third or 2.3 million people which is causing "overheating" in some areas.**



In the last three decades London's population has increased by a third or 2.3 million people which is causing "overheating" in some areas.

Modest cost reductions

While cost reductions should not be the driving reason for the relocation of departments and agencies from London in the long term modest savings could be made through the rationalisation of the Government estate in central London - including some of the most expensive property areas in the country - and the removal of the need to pay the London weighting for the relocated civil servants. Although it should be noted that costs such as redundancy payments, office fit out costs and logistical costs will be incurred upfront.

According to the property consultants Jones Lang Lasalle[35] commercial property in the West End of London is (in pre-COVID times) chargeable at £117.50 per square foot a month and £73.50 for the City of London. This compares to around £35 per square foot for similar commercial buildings in the North of England.

Symbolism and sentiment

The movement of key government functions can help boost local sentiment, aspirations and provide a "vote of confidence" in an area that encourages private businesses to invest. If significant numbers of senior roles are moved - alongside efforts to improve culture - the view that careers are advanced and made by being in London can be broken.

Resilience

With the continued risk of terrorist attacks or major unexpected events which impact normal operations spreading key government functions around the UK could increase resilience by not locating eggs in the same basket.

35. UK Big 6 Report H1 2020, Jones Lang Lasalle

A short history of relocation and outreach efforts

1963

Sir Gilbert Flemming Report
Concentrating on teams with little contact with ministers or stakeholders (due to technology limitations of the time). 57,000 posts identified for relocation, 22,500 actually relocated.

1973

Sir Henry Hardman Review
Review of 78,000 London posts with 31,500 identified for relocation dependent on frequency of meetings with ministers and other departments as well as local labour market factors.

1988-1993

Ibbs Report and Sir Peter Kemp Next Steps Programme
Work to separate delivery and implementation roles from policy and the creation of Next Steps Agencies. 19,000 roles were relocated.

1994

Government Offices for the English Regions
Sir John Major creates Government Offices (GOs) around England to represent and deliver specific programmes and policies of thirteen Whitehall departments. GOs were later abolished by the Coalition Government in 2010.

1998

Regional Development Agencies
Nine Regional Development Agencies were created with focus on economic development and regeneration based on Regional Economic Strategies. RDAs were later abolished by the Coalition Government in 2010.

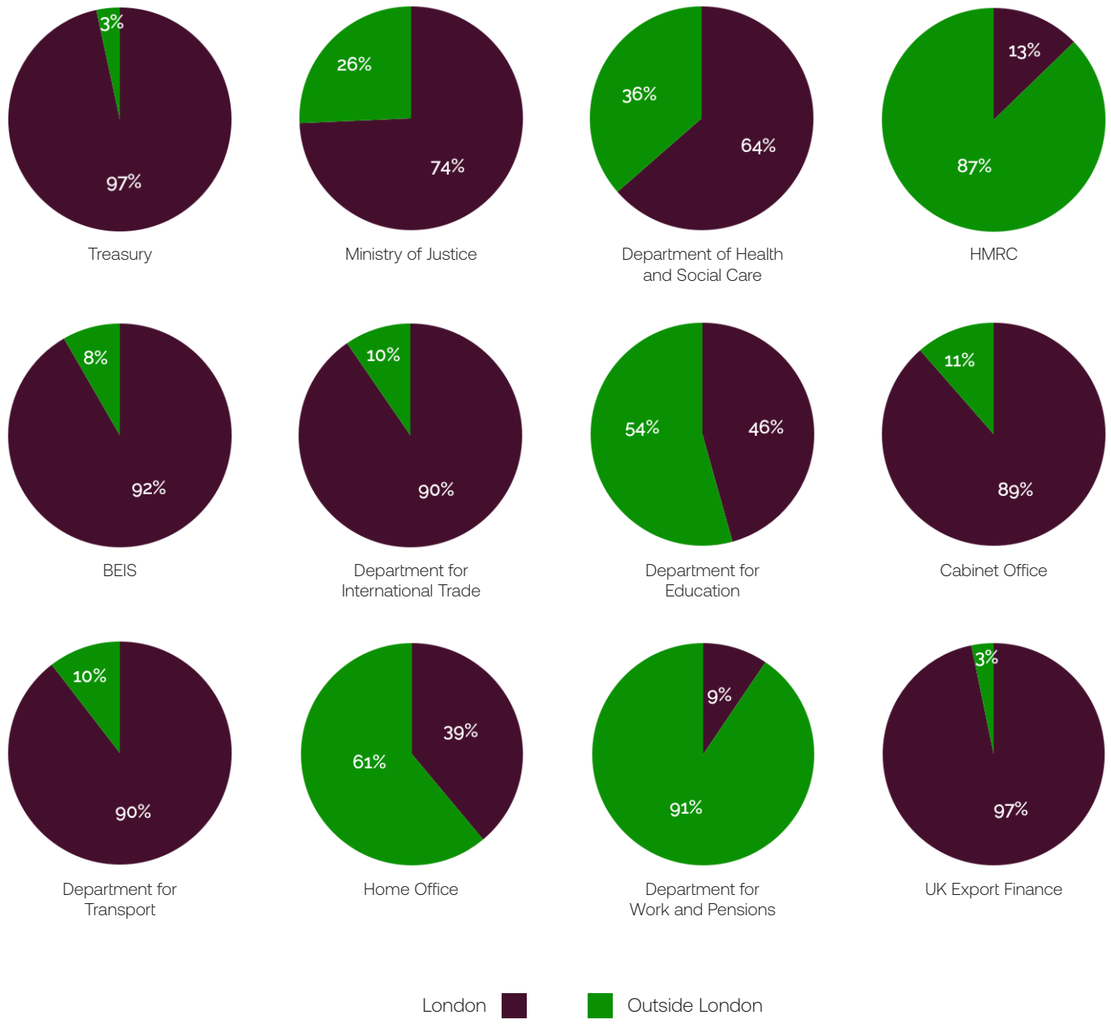
2004

Sir Michael Lyons Review
Review reporting to the Deputy Prime Minister and the Chancellor primarily looking at cost savings but also regional economic growth and public service reform. Report identified 20,000 posts for dispersal with 25,000 roles ultimately moved by 2010.

2010

Sir Philip Green Review
Efficiency review commissioned by the Coalition Government. Identified poor management of Government estate in London and suggests significant reduction in the number of regional offices. Makes no mention of further relocations.

Distribution of Civil Service jobs by department



Seven ingredients of success

As shown in the previous section the idea of relocating parts of government departments or Executive Agencies out of London and the South East is not new. That means we can learn lessons from these past efforts to plot a course which is more likely to be successful than some of those of the past.

We draw on experience of moving part of the BBC's operations to MediaCityUK in Salford[36,37], the move of the Office for National Statistics to Newport and the relocation of 25,000 roles as a result of the Lyons Review[38] as well as international experiences, in particular, those from Norway[39] and Germany[40]. Using this evidence base and our own analysis we draw out seven important success factors that are essential to any future relocation efforts.

1. **Clear purpose**

   Moves of the past have largely been driven by purported future cost savings with other drivers such as regional growth, culture change or service change playing second fiddle to cutting expenditure. Cost reduction as the main driver set the culture and tone of the relocation programmes with regional offices often becoming 'Civil Service factories' of those at more junior grades in user facing delivery roles. This reduced the economic impact of relocations with a failure to create high-quality and well paying private sector jobs in the vicinity of the new location.

   The purpose of this renewed effort must be levelling-up through the creation and movement of high-quality knowledge-based jobs which can also improve policy development and break groupthink.

2. **Seniority**

   While Sir Michael Lyons warned that enough senior and visible leadership must be moved to any new locations this failed to happen. Seven out of ten senior grades remain in London - which is especially acute in policy making and economics roles with only a scattering found in the regions.

   There is also evidence of "Twin Cultures" whereby those in Whitehall are seen as being on the fast track for promotion, more important and better informed with those in the regions sometimes seen as being less valuable, less ambitious and marginalised.

   Lyons encountered resistance from departments who claimed that because of the regular interactions between policy roles, senior civil servants and Ministers they needed to remain in the capital. He treated these claims with some scepticism in 2004 and they hold even less water today in the COVID-19 era when video conferencing and online collaboration is commonplace and meetings in person will become less frequent.

   Any future efforts must include a large proportion of Senior Civil Servants and those within policy roles.

3. **Clusters**

   Agglomeration or 'network effects' happen when businesses who require similar expertise or are working in similar or complementary sectors are located in close proximity to each other. This can help to improve productivity, stimulate innovation, improve skill levels and develop expertise.

   Previous relocations have often uprooted parts of individual Government departments or agencies and "plonked" them somewhere regionally as a standalone entity. Going forward, and as part of efforts to improve the Civil Service, we should look to create clusters of complementary or analogous organisations. This will help to foster agglomeration, encourage supporting knowledge-intensive jobs to be created in the private sector and provide career opportunities for those civil servants.

4. **Deep enough labour market**

   When organisations are moved not all of its staff will want or be able to transfer to the new location. For example, when the ONS moved to Newport only one in ten of its staff moved with it[41]. As well as losing some staff in the move other people will naturally choose to leave and take on new opportunities over time.

   Locations selected for future moves need to have enough depth in their existing relevant local labour markets and be of reasonable scale so that any vacant roles can be filled while also giving wider career opportunities to those wishing to leave public service.

5. **Location**

   In an attempt to reduce costs previous locations have often been to out of town/city industrial and business parks. While this may reduce costs it also generally lowers the regeneration benefits of any relocation due to the distance between the centre of employment and the normal central business, retail or shopping district.

   Rather than making a location decision based on property costs it should be made on clustering possibilities, possible agglomeration and maximising the potential for levelling up and regional growth.

6. **Sustained effort**

   Changing the status quo and culture of any organisation requires a sustained effort. At the time of the 2004 Lyons Review 18.6% of the Civil Service was located in London, concerted relocation efforts brought this down but the latest data shows that over 20% of roles are now in London - the highest share for at least 20 years.

   In statistics there is a concept of "regression to the mean" which is the phenomenon by which outline statistics will overtime and with repeated sampling move towards the average you would expect. In some ways it seems as though the location of the Civil Service operates in a similar way. Its "natural state" or average of history is a high concentration in London - particularly so for the most senior roles. With continued concerted effort, levers and strong encouragement and direction from the centre it is possible to move away from that natural state but once the political eye has moved on to something new the system reverts back to its previous arrangement.

   This means if the government wants to meaningfully move roles from Whitehall and improve the policy and decision-making of the Civil Service it will require strong political will, focus and attention from the most senior political levels. Undoubtedly there will be resistance from vested interests and some current senior civil servants which will have to be overcome.

   It is recommended that a centralised Programme Management Office (PMO) would need to be established to track and coordinate efforts across government.

7. **Commercial decisions**

   Sir Philip Green's Civil Service efficiency review for the Coalition Government discovered a number of very poor property decisions which tied the taxpayer into extremely long lease agreements, office space which is too large and underutilisation of space across departments/agencies. In one example the Government signed a 20 year lease agreement for a department relocation without a break clause for 15 years, tying hands for a generation and limiting flexibility.

   The UK Government can and should leverage its name, credit rating and purchasing power to secure flexible and good value (which doesn't mean cheapest) office space.

36. Relocation of public sector workers: Evaluating a place-based policy, Journal of Urban Economics, G Faggio, 2019
37. Should we move public sector jobs out of London?, Centre for Cities, August 2017
38. Lyons Review, 2004
39. From controversial policy idea to successful program implementation: the role of the policy entrepreneur, manipulation strategy, program design, institutions and open policy windows in relocating Norwegian central agencies, H Sætren, University of Bergen, Policy Sciences, Springer;Society of Policy Sciences, 2016
40. The Impact of Public Employment: Evidence from Bonn, S Becjer, Centre for Economic Studies, Ludwigs□Maximilians University, CESifo GmbH
41. Independent Review of UK Economic Statistics, C Bean, Cabinet Office, 2016

The ‘Goldilocks’ approach

While it may be tempting to only move departments to regional towns and cities that are already doing relatively well or the opposite to those areas which are struggling the most, evidence from past UK moves and international relocations shows that would be a mistake.

We suggest we need to take a ‘Goldilocks’ approach whereby locations receiving relocations are neither ‘too hot’, ‘too cold’ but ‘just right’.

‘Too hot’ areas - one of the reasons why the North/South divide exists is the ‘Matthew effect’ where areas which are already doing well draw in more and more resources, focus and business interest becoming more and more successful. Our index caps scores from skill level and productivity components to try and combat this effect.

‘Too cold’ areas - these areas lack the essential ingredients to maximise the success of the move with either populations which are too small, skill levels that are very low or poor location quotients for the sectors relevant to that particular department or agency.

‘Just right’ areas are what you might imagine, areas which have the essential ingredients of success but are not doing exceptionally well for the UK average.

Chapter 3:
Northern Policy Foundation relocation index

Northern
POLICY FOUNDATION

Northern Policy Foundation relocation index

In the interests of impartiality and rigour we have created a seven-component index to holistically assess different areas' potential for the relocation of departments or Executive Agencies to create clusters:

1. **Population size** - evidence has shown that the town or city where jobs are relocated to needs to be of reasonable size to ensure there is enough depth in the local labour market as well as opportunities for spouses/partners of those who move. We only considered places with populations of more than 140,000.
2. **Skill levels** - there needs to be a reasonable skills level within the local economy if we wish to move the most senior Civil Service roles and those within economics and policy. To combat the 'Matthew Effect' we have capped the maximum impact that this component can have.
3. **Jobs density** - to ensure enough depth in the local labour market which provides a recruitment pool for the Civil Service as well as careers for spouses/partners.
4. **Productivity** - the movement of Civil Service jobs (particularly knowledge-intensive roles) can have spillover effects which can improve lackluster productivity levels which (as previously covered in detail) is a good overall indicator for a number of other outcomes. To counter the "Matthew Effect" the contribution to the index score from this component is capped.
5. **Digital connectivity** - given increasing reliance on video conferencing and digital collaboration, good digital connectivity will be essential to ensure high-quality conversations, work and meetings can take place across offices and locations.
6. **House prices** - lower house prices can mean improved living standards for Civil Servants who are relocated and high prices can clearly mean the opposite. It is important that there is enough stock of housing which is within the price range of public sector workers.
7. **Location quotient**[42] - location quotients are used to assess both the industrial specialisation of local areas and the geographical concentration of industries. We have selected sectors that are complementary or necessary to the government department or agency in question to ensure enough specialisation within the local skills market. For example, for HM Treasury we considered the location quotient for financial and insurance services as well as professional, technical and scientific services which can cover roles like economists.

42. The location quotient for industry "i" in region "r" is LQ = (Eir/Er)/(Ei/E) , where Eir are employee jobs in industry i in region r, Er is the total number of employee jobs in region r, Ei is total employee jobs in industry i and E is the national total of employee jobs. eview of UK Economic Statistics, C Bean, Cabinet Office, 2016

We have assessed over 30 government departments and agencies against the characteristic of 41 towns and cities which meet the minimum population threshold of 140,000 and propose the creation of eleven clusters:

Economic cluster
Education cluster
Business and jobs cluster
Health cluster
Trade cluster
Justice cluster
Infrastructure cluster
Crime fighting cluster
Cultural cluster
Environment and food cluster
Defence cluster

These groupings will hopefully bring the critical mass required to really change an area, spur on agglomeration and encourage reciprocal job creation with knowledge-intensive private sector businesses.

Given improved digital connectivity and collaborative technology, more than ever there is no real need for a significant presence of civil servants in London. Apart from those employed directly by Parliament or small teams in private ministerial offices all other civil servants should be relocated.

There is also an argument that some of the ministerial team should at least spend part of the week (apart from days with relevant debates/votes) located at these new regional hubs. As a rough guide we estimate that 95% of central London jobs could be relocated.

The UK could also consider emulating New Zealand's 'Beehive' which houses the Executive Wing of the Parliament buildings. The Beehive, so-called for its distinctive architectural design, provides centralised office space for all ministers, keeping the decision-making executive members in close proximity. The proximity of senior ministers' offices to the Prime Minister's office is determined based on their rank in the cabinet.

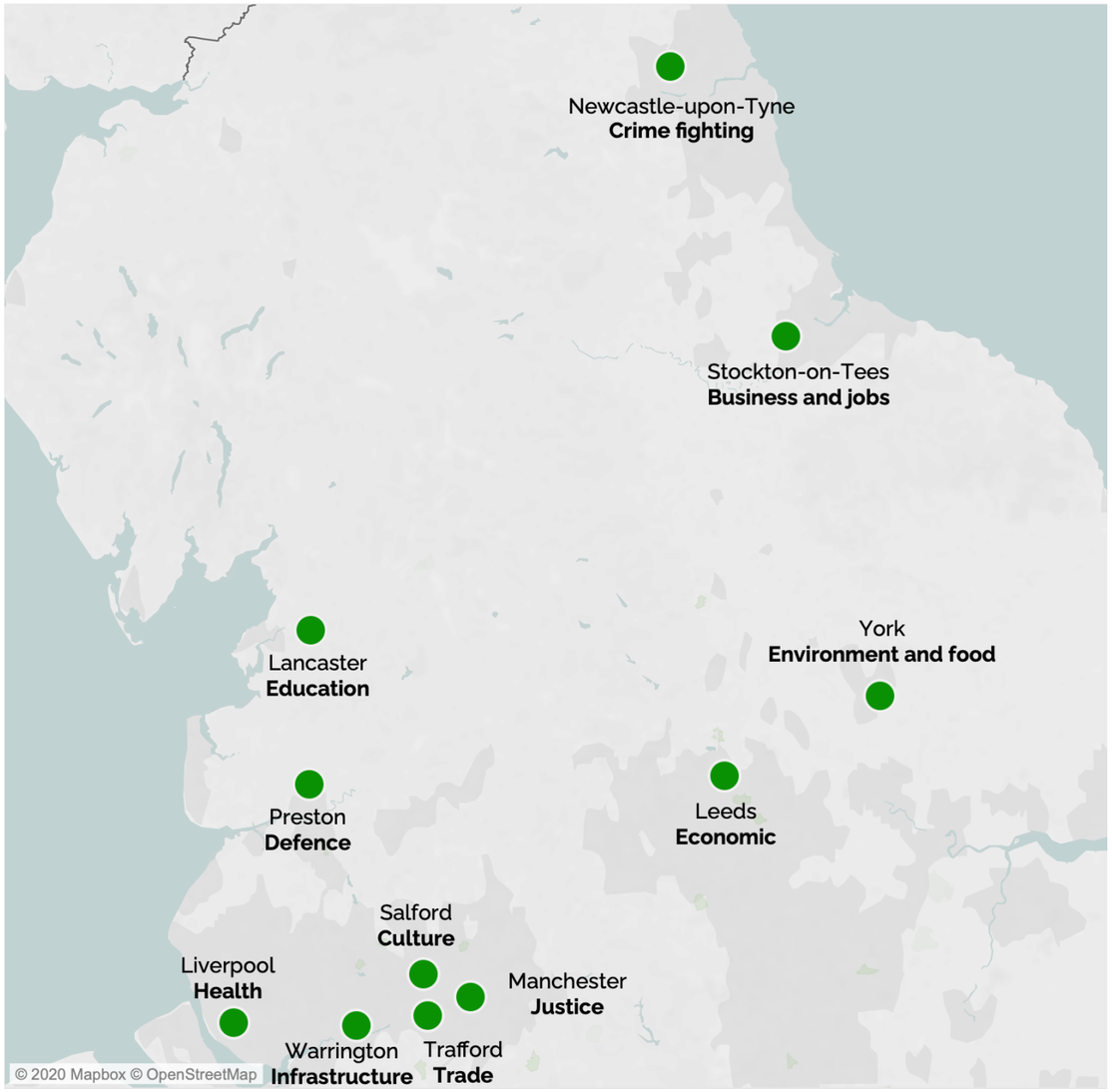
Results of the base index

For each proposed cluster we have selected one or more location quotients which we consider most relevant to the department's needs. Removing these specific location quotients we can present a 'base index' which is an indication of the general standing of different towns and cities.

Rank	Location	Population	Index score
1	Manchester	550000	100
2	Warrington	210000	97
3	Liverpool	500000	97
4	Leeds	790000	96
5	Salford	260000	92
6	Trafford	240000	82
7	York	210000	76
8	Newcastle upon Tyne	300000	71
9	Cheshire West and Chester	340000	69
10	Cheshire East	380000	65
11	Stockton-on-Tees	200000	64
12	Bolton	290000	64
13	Stockport	290000	62
14	Preston	140000	56
15	Kingston upon Hull, City of	260000	51
16	Knowsley	150000	51
17	Sheffield	580000	51
18	Sunderland	280000	51
19	Wirral	320000	48
20	East Riding of Yorkshire	340000	47

Cluster locations

Applying the most relevant location quotients and ensuring unique results you can see where our index suggests the UK Government considers moving departments/agencies to and what cluster might be most appropriate.



Economic cluster

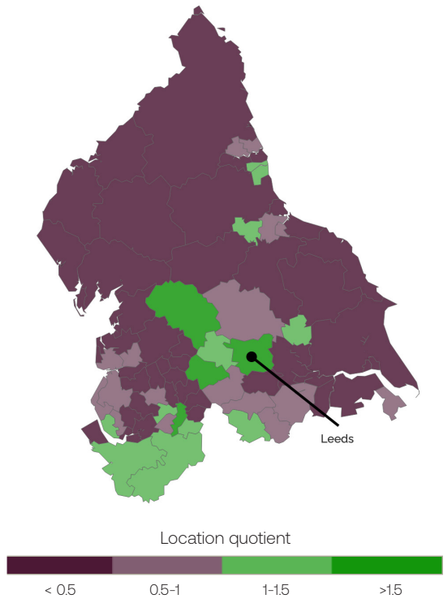
Location quotients considered by the index	Financial and Insurance Professional, scientific, technical
Number of jobs to relocate[45]	1425
Departments/agencies to relocate	HM Treasury Office for Budget Responsibility National Infrastructure Commission
Estimated economic impact[46] to local area per year	£85-160m

Index results

1st place	Leeds
2nd place	Manchester

Key location quotient

Financial and insurance activities



According to our index results Leeds is the recommended location for the creation of an 'Economic Cluster'. This is largely due to its deep labour market, reasonably strong skills base, plus its higher than average concentration of financial and insurance expertise compared to the UK average and areas elsewhere in the North.

For those who know Leeds well this result will probably not come as a surprise. It has a world-class university, is home to First Direct bank, Yorkshire Building Society plus Yorkshire Bank (before it was acquired by Virgin Money) and has a deep professional services sector.

45. Estimations have been made for agencies which do not provide enough granular workforce data.
46. See appendix for methodology

Education cluster

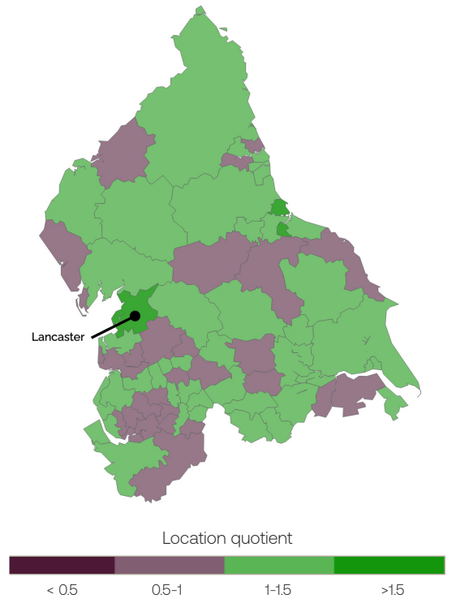
Location quotients considered	Education
Number of jobs to relocate[47]	3315
Departments/agencies to relocate	Department for Education OFQUAL OFSTED ESFA Institute for Apprenticeships Social Mobility Commission
Estimated economic impact[48] to local area per year	£200-375m

Index results

1st place	Lancaster
2nd place	Middlesbrough

Key location quotient

Education



Our index suggests creating an education cluster in Lancaster. The city scores highly due to the relatively large university compared to the population. The Social Mobility Commission found that half of the top 20 least socially mobile local authorities are located in the North West which are all within a short commute from Lancaster.

47. Estimations have been made for agencies which do not provide enough granular workforce data.
48. See appendix for methodology

Business and jobs cluster

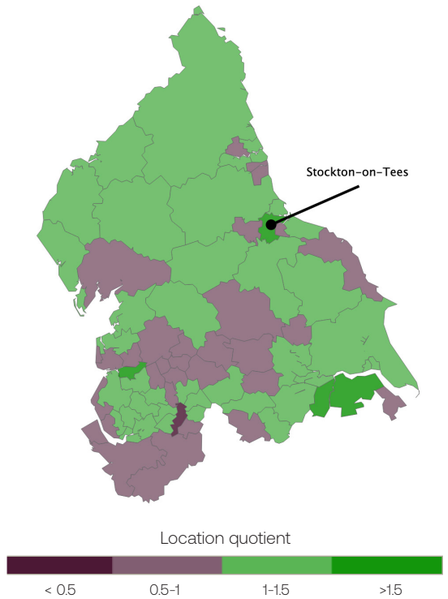
Location quotients considered	Manufacturing Professional, scientific, technical Electricity, gas, steam Construction
Number of jobs to relocate[47]	6930
Departments/agencies to relocate	Department for Business, Energy and Industrial Strategy Department for Work and Pensions ACAS UK Industrial Strategy Council Low Pay Commission Office for Students
Estimated economic impact[48] to local area per year	£420-780m

Index results

1st place	Stockton-on-Tees
2nd place	Cheshire East

Key location quotient

Construction



Stockton-on-Tees in the Tees Valley was suggested by our index as a potential location to create a business and jobs cluster. The area was formerly home to the SSI steelworks and Tata Steel and is the 6th most deprived LEP area in the UK with a higher than average unemployment rate and aging population. However, with the creation of the South Tees Development Corporation, a number of enterprise zones, the UK's first hydrogen transport hub and a potential Freeport nearby the area is primed for revitalization and growth while possessing many challenges seen elsewhere in the North.

47. Estimations have been made for agencies which do not provide enough granular workforce data.
48. See appendix for methodology

Health cluster

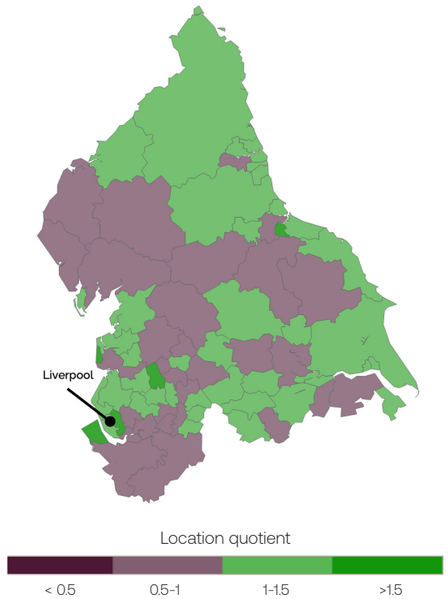
Location quotients considered	Human health and social work Professional, scientific, technical
Number of jobs to relocate	4490
Departments/agencies to relocate[49]	Department for Health and Social Care NHS England NIHP NICE Medicines and Healthcare Products Regulatory Agency
Estimated economic impact[50] to local area per year	£270-510m

Index results

1st place	Liverpool
2nd place	Leeds

Key location quotient

Human health and social work activities



Liverpool is home to more specialist hospitals and health centres than any other UK city outside London, while also being home to many communities with the most chronic and long term health conditions. Liverpool has a strong research-intensive Higher Education base, particularly the University of Liverpool, which brings together leading life sciences and medical research with sophisticated facilities.

The wider Liverpool region has one of the largest biopharmaceutical manufacturing clusters in Europe with major companies such as AstraZeneca, Seqirus, Elanco and Allergan, and a rapidly expanding SME community. The healthcare sector employs over 100,000 people and is a significant contributor to the local economy.

49. Estimations have been made for agencies which do not provide enough granular workforce data.
50. See appendix for methodology

Trade cluster

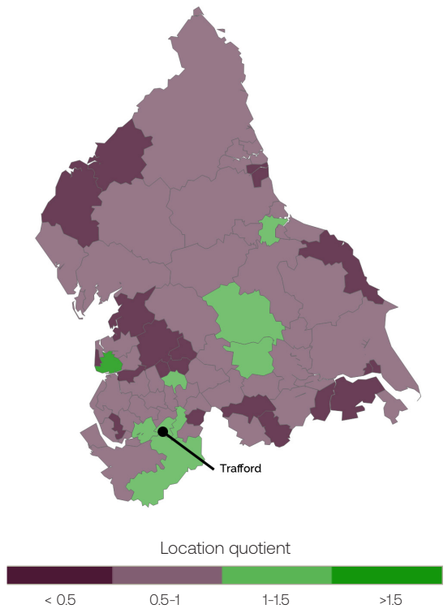
Location quotients considered	Transportation and storage Professional, scientific, technical
Number of jobs to relocate[51]	1620
Departments/agencies to relocate	Department for International Trade UK Export Finance
Estimated economic impact[52] to local area per year	£95-180m

Index results

1st place	Trafford
2nd place	Cheshire East

Key location quotient

Professional, scientific and technical activities



Trafford, specifically Trafford Park, is a highly concentrated area of business activity including exporters. The site is also close to the major regional airport of Manchester. Trafford is home to major international businesses such as Cargill, L'Oreal, Procter & Gamble and Kellogs as well as 1,300 other businesses ranging from small to very large. Trafford Park is also home to the largest inland freight terminal in the North West and should be recipient of further enhanced rail capacity with the arrival of HS2 at the start of the next decade.

51. Estimations have been made for agencies which do not provide enough granular workforce data.
52. See appendix for methodology

Justice cluster

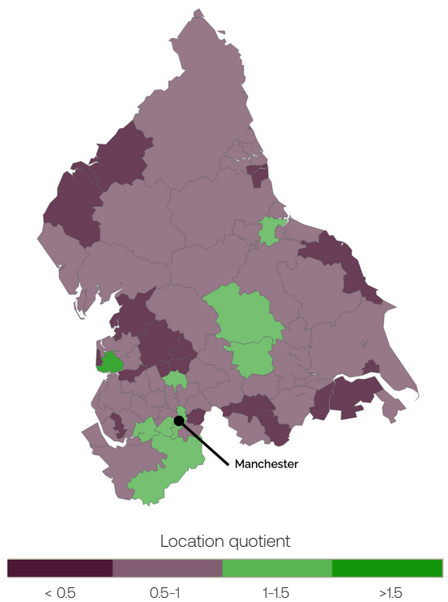
Location quotients considered	Professional, scientific, technical (which covers the legal profession) Presence of a District Registry of the High Court
Number of jobs to relocate[53]	7595
Departments/agencies to relocate	Ministry of Justice HMCTS Supreme Court Government Legal Department Sentencing Council Legal Aid Agency
Estimated economic impact[54] to local area per year	£460-860m

Index results

1st place	Manchester
2nd place	Leeds

Key location quotient

Professional, scientific and technical activities



Manchester has a strong and growing legal sector and is home to courts hearing all types of cases including a District Registry of the High Court hearing Queen's Bench and Chancery matters as well as two Crown Courts, five Magistrates' Courts and HMP Manchester. The Manchester Law Society has nearly 4,000 members, twelve barristers' chambers and 1,400 legal firms.

53. Estimations have been made for agencies which do not provide enough granular workforce data.
54. See appendix for methodology

Infrastructure cluster

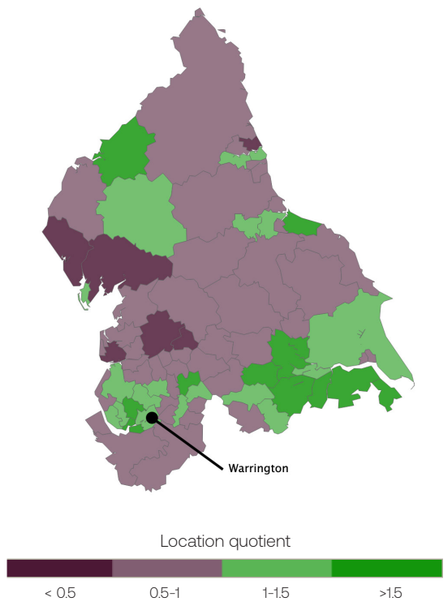
Location quotients considered	Transportation and storage Professional, scientific, technical
Number of jobs to relocate[55]	6165
Departments/agencies to relocate	Department for Transport Ministry of Housing, Communities and Local Government Network Rail Highways England Civil Aviation Authority Office of Road and Rail
Estimated economic impact[56] to local area per year	£380-720m

Index results

1st place	Warrington
2nd place	North Lincolnshire

Key location quotient

Professional, scientific and technical activities



Warrington is the recommended location from our index for the creation of an 'Infrastructure cluster'. As the location of the headquarters of Homes England, the public body that funds new affordable housing, it is a particularly natural destination for the Ministry of Housing, Communities and Local Government. Other infrastructure-related departments would be well positioned in Warrington given the town's good transport links to nearby Manchester and Liverpool as well as direct rail connection to London Euston.

Warrington Borough Council has also set out plans to become a 'New City', with the aim of building 18,900 new homes by the year 2037, and supporting economic growth in the area through the development of 381 hectares of employment land.

55. Estimations have been made for agencies which do not provide enough granular workforce data.
56. See appendix for methodology

Crime fighting cluster

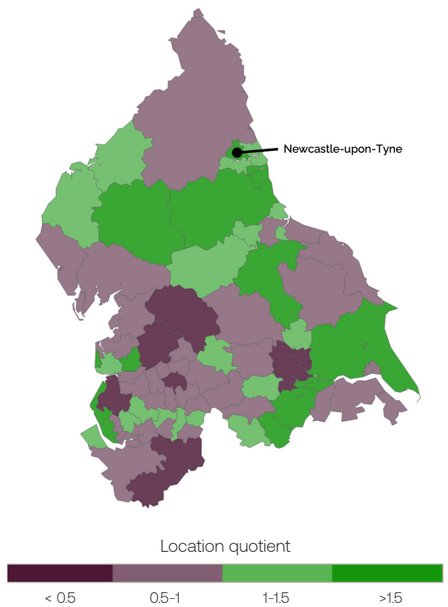
Location quotients considered	Public administration and defense
Number of jobs to relocate[57]	8455
Departments/agencies to relocate	Home Office UK Border Force National Crime Agency HM Prison and Probation Service
Estimated economic impact[58] to local area per year	£510-950m

Index results

1st place	Newcastle-upon-Tyne
2nd place	Liverpool

Key location quotient

Public, administration and defence



Newcastle upon Tyne is recommended from our index results as the location for the creation of a 'Crime-fighting cluster'. The city already has a high proportion of workers employed in public administration and defence industries making the area a suitable host for the proposed department relocations.

The creation of a crime-fighting cluster in Newcastle is also appropriate from a levelling-up perspective, as the city currently suffers from a crime rate 15% higher than the national average.

With two universities based in the city, Newcastle University and Northumbria University, the foundations are in place to provide the next generation of talent to support and ensure the success of the relocation of government departments to the area.

57. Estimations have been made for agencies which do not provide enough granular workforce data.
58. See appendix for methodology

Cultural cluster

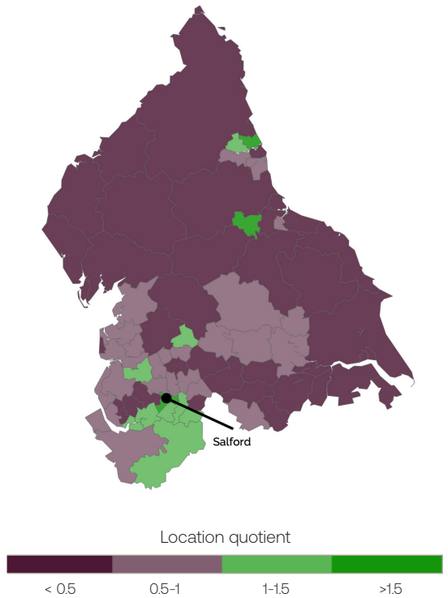
Location quotients considered	Information and communication Arts, entertainment and recreation
Number of jobs to relocate[59]	2725
Departments/agencies to relocate	Department for Culture, Media and Sport OFCOM Historic England
Estimated economic impact[60] to local area per year	£165-305m

Index results

1st place	Salford
2nd place	Trafford

Key location quotient

Information and communication



Our index results identify Salford as an ideal location for the creation of a 'Cultural cluster' of government departments. This will come as little surprise to those familiar with the existing media outlets already located in the area. MediaCityUK, a 200-acre development in Salford, is currently home to the BBC, with approximately 3,200 employees based there, ITV, and dozens of other media outlets as well as the University of Salford.

Situated in the Greater Manchester Combined Authority, Salford has strong skills and qualifications levels and jobs density as well as good infrastructure connectivity to support the relocation of several government departments.

59. Estimations have been made for agencies which do not provide enough granular workforce data.
60. See appendix for methodology

Environment and food cluster

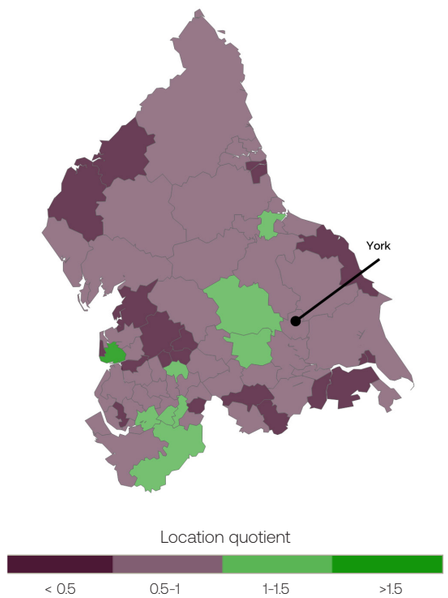
Location quotients considered	Water supply; sewerage, waste management and remediation activities Agriculture, forestry and fishing Professional, scientific, technical
Number of jobs to relocate[61]	3580
Departments/agencies to relocate	Department for Environment, Food and Rural Affairs Animal and Plant Health Agency Environment Agency Veterinary Medicines Directorate
Estimated economic impact[62] to local area per year	£210-400m

Index results

1st place	York
2nd place	Liverpool

Key location quotient

Professional, scientific and technical activities



York is identified by our index results as the recommended location for the creation of an 'Environment and Food cluster'. The large laboratory complex of the Food and Environment Research Agency (Fera) based near York provides a pre-existing skills and experience base to support the relocation of relevant departments. Furthermore, the University of York's Department of Environment and Geography provides world-leading teaching and research on environmental sustainability.

61. Estimations have been made for agencies which do not provide enough granular workforce data.
62. See appendix for methodology

Defence cluster

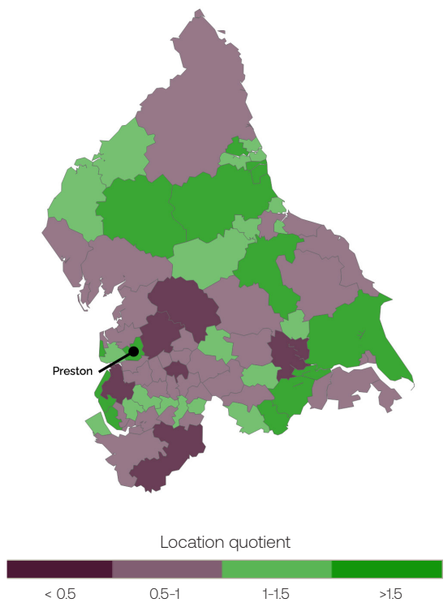
Location quotients considered	Public administration and defense
Number of jobs to relocate[63]	3045
Departments/agencies to relocate	Ministry of Defence Service Prosecuting Authority Service Complaints Ombudsman Armed Forces' Pay Review Body Armed Forces Covenant Fund Trust
Estimated economic impact[64] to local area per year	£180-340m

Index results

1st place	Preston
2nd place	Newcastle-upon-Tyne

Key location quotient

Public administration and defence



Preston is the recommended location for the creation of a 'Defence cluster' according to our index results. A significant factor influencing this result is the presence of the defence company BAE Systems in the area, resulting in Preston having a higher than average existing workforce in the defence industry. Preston is also home to the Fulwood Barracks military installation, further reinforcing its suitability for the relocation of defence departments.

63. Estimations have been made for agencies which do not provide enough granular workforce data.

64. See appendix for methodology

Appendix

Index methodology

In order to fairly compare and combine different components of the index, the raw data for each component was first normalised to values ranging between 0 and 100[65]. For each component, a value was calculated for every local authority area in the North of England.

Overall index tables for each department cluster were produced by blending together relevant location quotients with the base index consisting of generic components. The components of the generic base index - skill level, jobs density, productivity, digital connectivity and house prices - were each weighted to constitute 10% of the total index score. The remaining 50% was assigned to the relevant location quotient(s) for each department cluster. Finally, the results were filtered to include only local authorities with a population above 140,000, and indices for each cluster were re-normalised to values ranging between 0 and 100.

Ensuring unique results:

1. Taking the raw, non-normalised, index scores for each department cluster, assign the location with the highest raw index score to that cluster.
2. Remove that location from all remaining department cluster lists.
3. Repeat the process.

Estimating the economic impact to local area per year

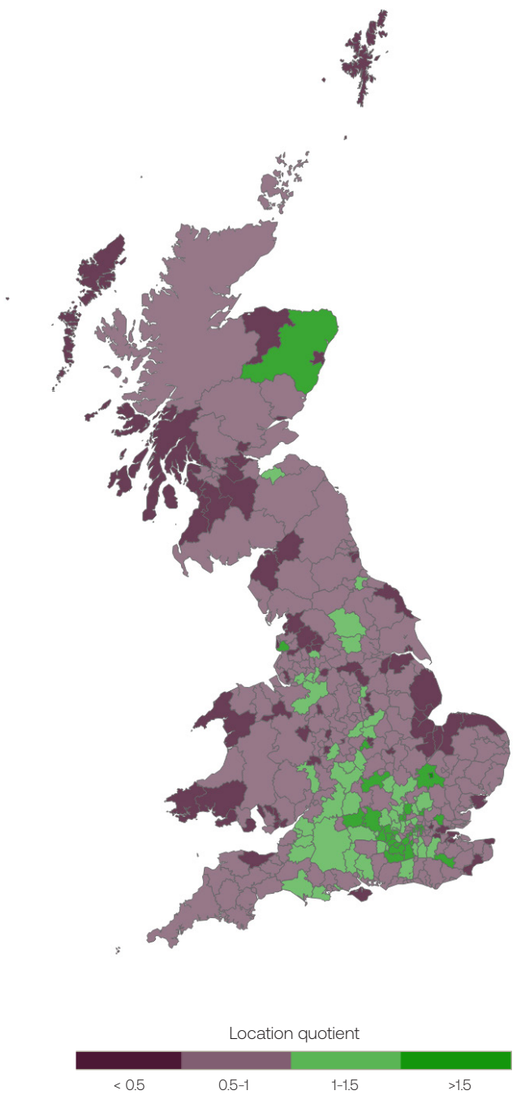
We have provided rough estimates for the potential annual economic boost in terms of Gross Value Added by relocating jobs outside of London using the following assumptions:

1. The average GVA per job moved from London is £50,000 in today's prices
2. That every 10 public sector jobs relocated creates eleven in the private service sector which is taken from the peer reviewed study ***Relocation of public sector workers: Evaluating a place-based policy, Journal of Urban Economics, G Faggio, 2019***
3. The average GVA per job created in the service sector is £20,000 in today's prices
4. For every ten public sector jobs relocated, three knowledge-based jobs are created in the private sector which each have a GVA of £50,000 per year (particularly as a result of policy, economic and senior civil service roles being moved).

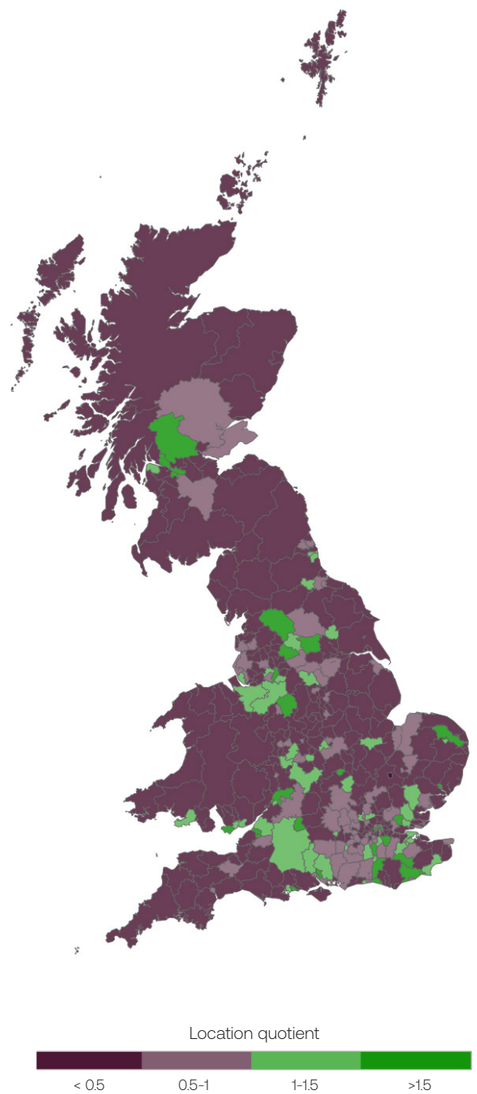
65. Raw data was normalised by applying the formula, $z_i = (x_i - \min(x)) / (\max(x) - \min(x))$, where x is the raw data set, z is the normalised data set, and the subscript i denotes individual elements in the data set.

Location quotient maps of the UK

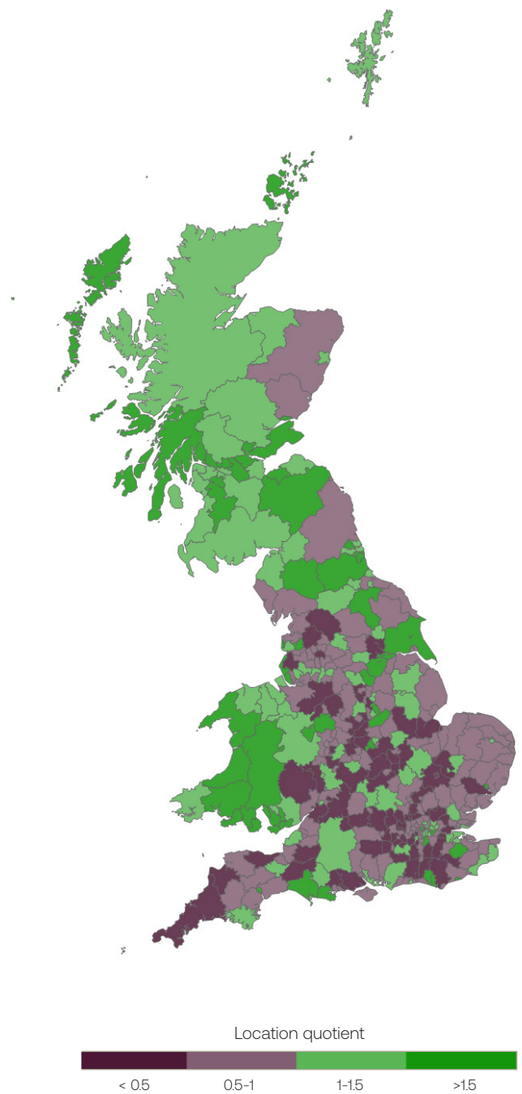
Professional, scientific and technical



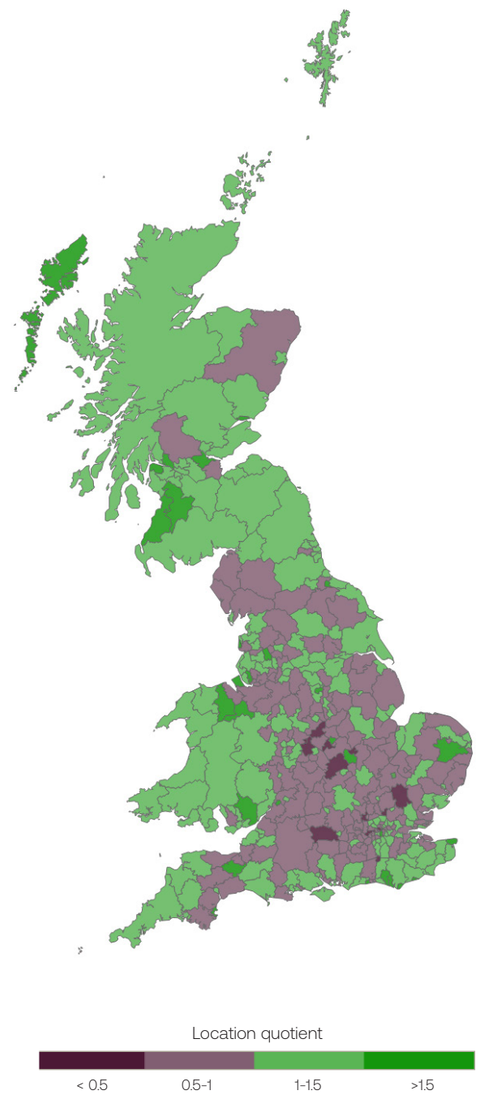
Finance and insurance



Public administration and defence

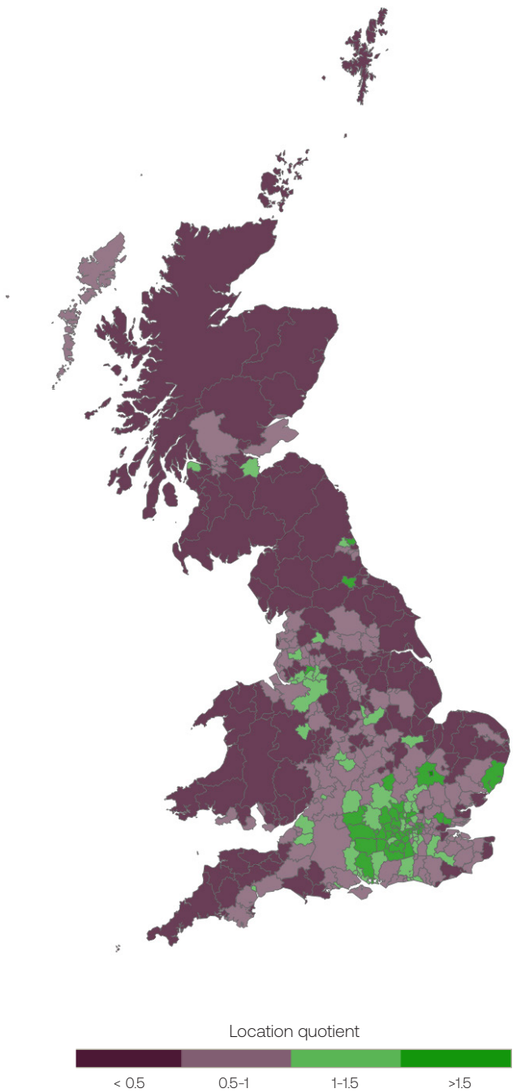


Human health and social work

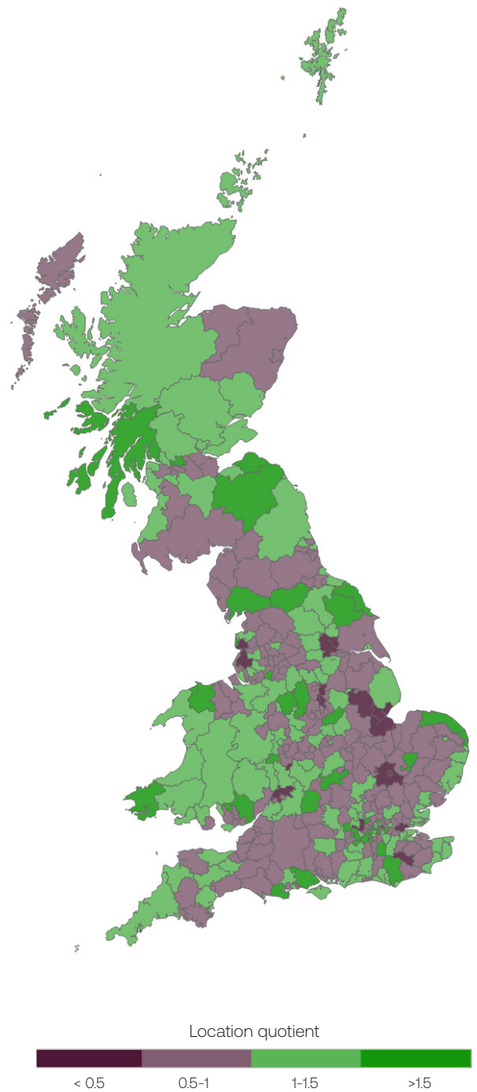


Location quotient maps of the UK

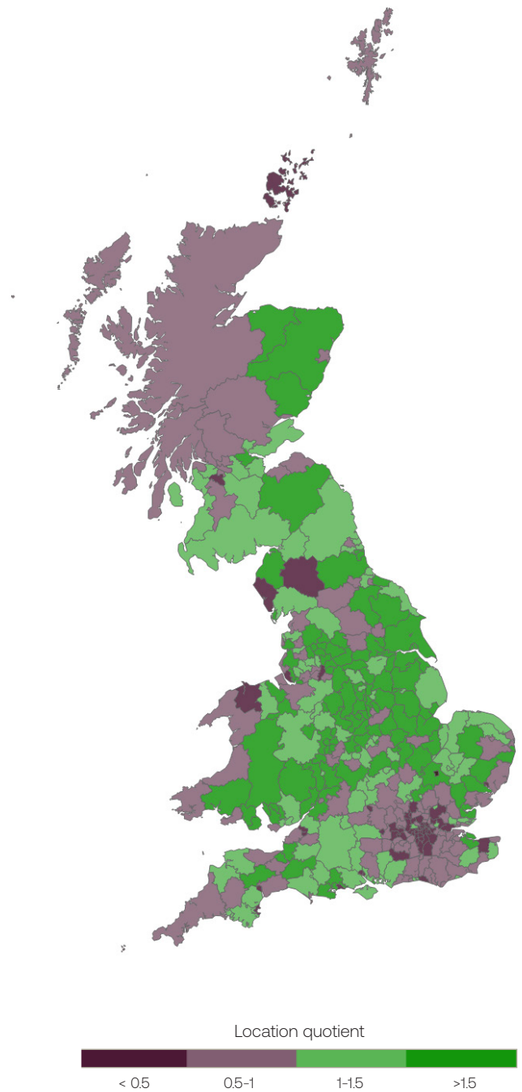
Information and communication



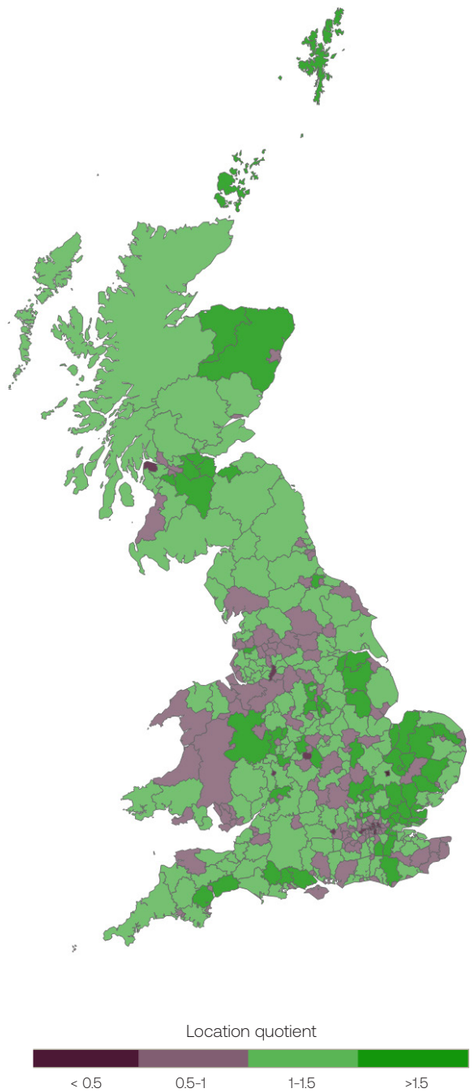
Arts, entertainment and recreation



Manufacturing

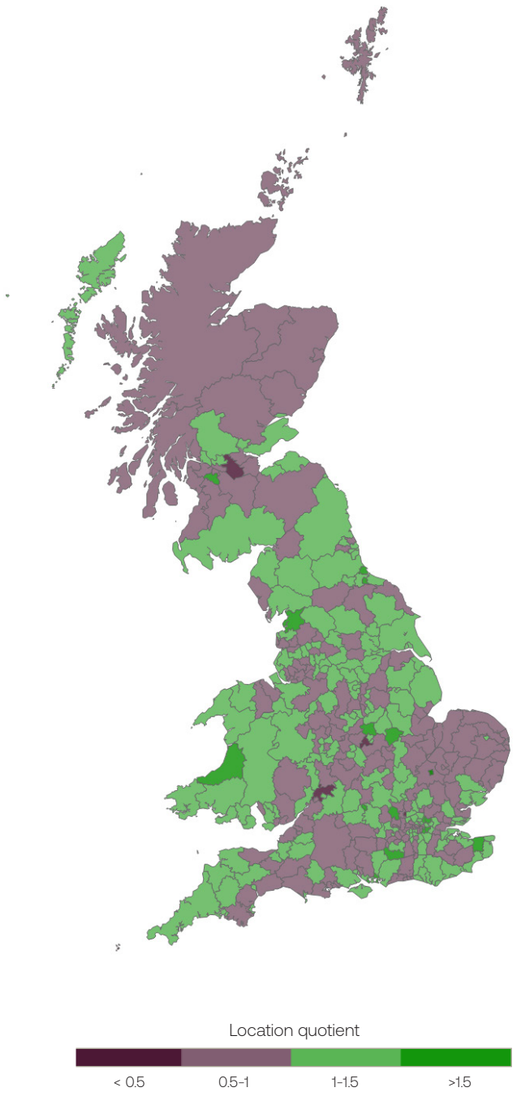


Construction

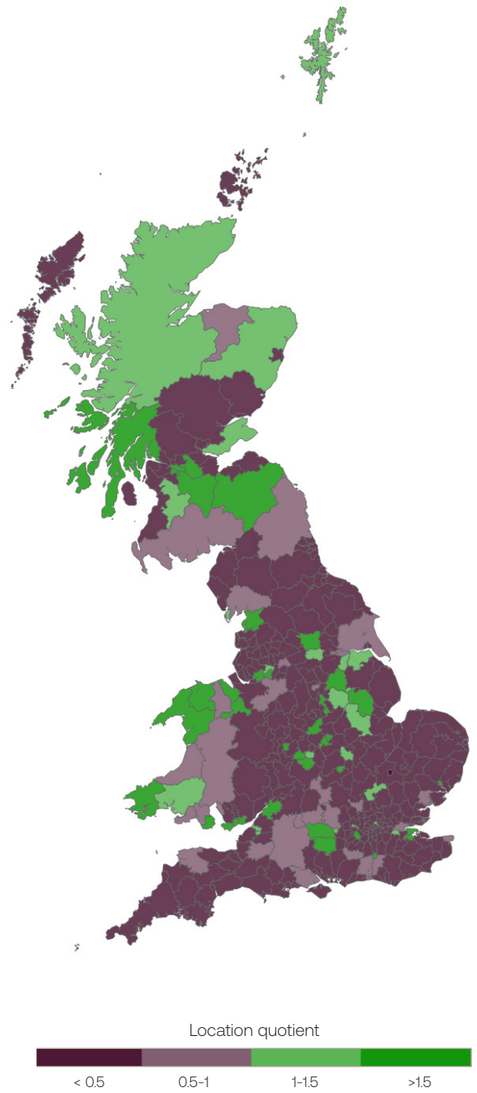


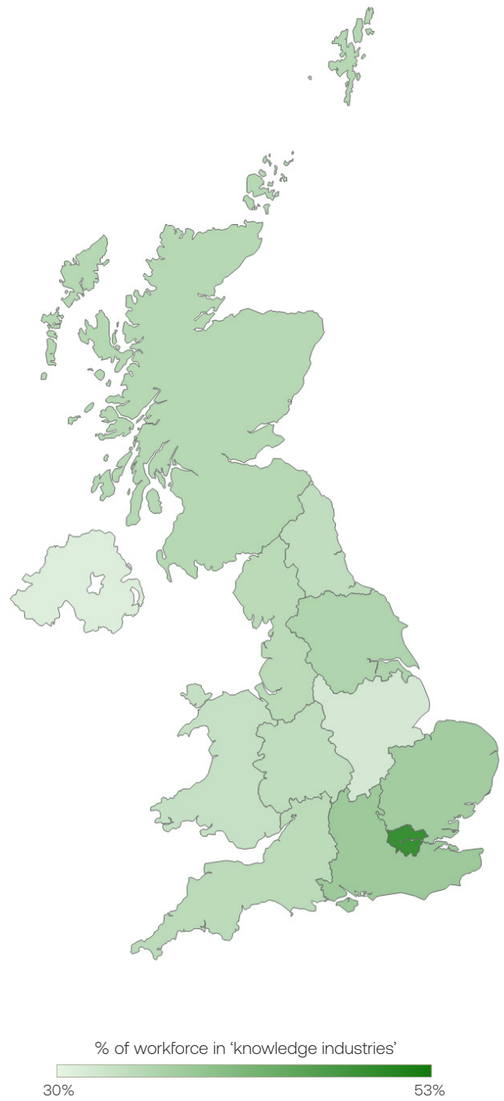
Location quotient maps of the UK

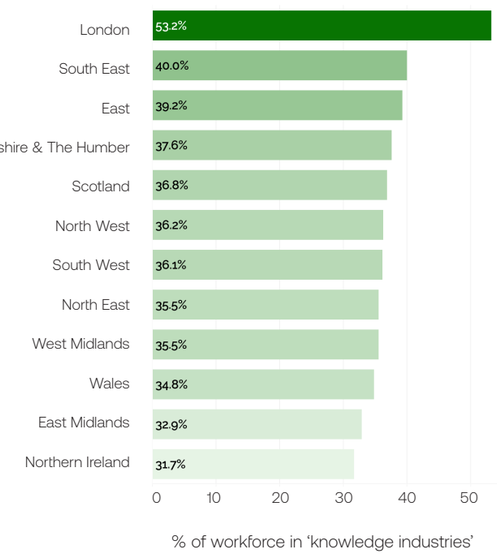
Education



Electricity, gas, steam and air conditioning supply







List of Government Departments

	Department
1	Prime Minister's Office, 10 Downing Street
2	Attorney General's Office
3	Cabinet Office
4	Department for Business, Energy & Industrial Strategy
5	Department for Digital, Culture, Media & Sport
6	Department for Education
7	Department for Environment Food & Rural Affairs
8	Department for International Trade
9	Department for Transport
10	Department for Work & Pensions
11	Department of Health & Social Care
12	Foreign, Commonwealth & Development Office
13	HM Treasury
14	Home Office
15	Ministry of Defence
16	Ministry of Housing, Communities & Local Government
17	Ministry of Justice
18	Northern Ireland Office
19	Office of the Advocate General for Scotland
20	Office of the Leader of the House of Commons
21	Office of the Leader of the House of Lords
22	Office of the Secretary of State for Scotland
23	Office of the Secretary of State for Wales Swyddfa Ysgrifennydd Gwladol Cymru

List of Government Agencies, Bodies and Panels

	Agency/Body
1	HM Crown Prosecution Service Inspectorate
2	Crown Prosecution Service
3	Government Legal Department
4	Serious Fraud Office
5	Commissioner for Public Appointments
6	Government Equalities Office
7	Government Estates Management
8	Infrastructure and Projects Authority
9	Office of the Registrar of Consultant Lobbyists
10	Privy Council Office
11	Advisory Committee on Business Appointments
12	Boundary Commission for England
13	Boundary Commission for Wales
14	Committee on Standards in Public Life
15	House of Lords Appointments Commission
16	Security Vetting Appeals Panel
17	Senior Salaries Review Body
18	Civil Service
19	Civil Service Commission
20	Equality and Human Rights Commission
21	Crown Commercial Service
22	Government Property Agency
23	Prime Minister's Office, 10 Downing Street
24	Office of the Leader of the House of Commons
25	Office of the Leader of the House of Lords
26	UK Statistics Authority
27	British Business Bank
28	Certification Officer
29	Commissioner for Shale Gas
30	Council for Science and Technology
31	Financial Reporting Council
32	Government Office for Science
33	Groceries Code Adjudicator
34	Independent Complaints Reviewer
35	Office of Manpower Economics
36	Office of the Regulator of Community Interest Companies
37	Oil and Gas Authority

	Agency/Body
38	Pubs Code Adjudicator
39	Central Arbitration Committee
40	Competition Appeal Tribunal
41	Copyright Tribunal
42	Committee on Fuel Poverty
43	Committee on Radioactive Waste Management
44	Industrial Development Advisory Board
45	Land Registration Rule Committee
46	Low Pay Commission
47	Nuclear Liabilities Financing Assurance Board
48	Regulatory Policy Committee
49	Advisory, Conciliation and Arbitration Service
50	British Hallmarking Council
51	Civil Nuclear Police Authority
52	Coal Authority
53	Committee on Climate Change
54	Competition Service
55	Nuclear Decommissioning Authority
56	Small Business Commissioner
57	UK Atomic Energy Authority
58	UK Research and Innovation
59	Companies House
60	The Insolvency Service
61	Intellectual Property Office
62	Met Office
63	UK Space Agency
64	Ordnance Survey
65	Competition and Markets Authority
66	HM Land Registry
67	Ofgem
68	Churches Conservation Trust
69	National Citizen Service
70	Ofcom
71	Phone-paid Services Authority
72	S4C
73	The Advisory Council on National Records and Archives
74	The Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest

	Agency/Body
75	The Theatres Trust
76	Treasure Valuation Committee
77	Arts Council England
78	Birmingham Organising Committee for the 2022 Commonwealth Games Ltd
79	British Film Institute
80	British Library
81	British Museum
82	Gambling Commission
83	Geffrye Museum
84	Historic England
85	Horniman Public Museum and Public Park Trust
86	Horserace Betting Levy Board
87	Imperial War Museum
88	Information Commissioner's Office
89	National Gallery
90	National Heritage Memorial Fund
91	The National Lottery Community Fund
92	National Museums Liverpool
93	National Portrait Gallery
94	Natural History Museum
95	Royal Armouries Museum
96	Royal Museums Greenwich
97	Science Museum Group
98	Sir John Soane's Museum
99	Sport England
100	Sports Grounds Safety Authority
101	Tate
102	UK Anti-Doping
103	UK Sport
104	Victoria and Albert Museum
105	VisitBritain
106	VisitEngland
107	Wallace Collection
108	BBC
109	Channel 4
110	Historic Royal Palaces
111	The Charity Commission

	Agency/Body
112	The National Archives
113	Child Safeguarding Practice Review Panel
114	Independent Review Mechanism
115	Office of the Schools Adjudicator
116	School Teachers' Review Body
117	Social Mobility Commission
118	Construction Industry Training Board
119	Engineering Construction Industry Training Board
120	Institute for Apprenticeships and Technical Education
121	LocatED
122	Office for Students
123	Office of the Children's Commissioner
124	Social Work England
125	Student Loans Company
126	School Teachers' Review Body
127	Standards and Testing Agency
128	Teaching Regulation Agency
129	Ofqual
130	Ofsted
131	Education & Skills Funding Agency
132	Forestry Commission
133	The Water Services Regulation Authority
134	Animal and Plant Health Agency
135	Centre for Environment, Fisheries and Aquaculture Science
136	Rural Payments Agency
137	Veterinary Medicines Directorate
138	Agriculture and Horticulture Development Board
139	Board of Trustees of the Royal Botanic Gardens Kew
140	Consumer Council for Water
141	Environment Agency
142	Joint Nature Conservation Committee
143	Marine Management Organisation
144	National Forest Company
145	Natural England
146	Sea Fish Industry Authority
147	Advisory Committee on Releases to the Environment
148	Independent Agricultural Appeals Panel

	Agency/Body
149	Science Advisory Council
150	Veterinary Products Committee
151	Plant Varieties and Seeds Tribunal
152	Broads Authority
153	Covent Garden Market Authority
154	Dartmoor National Park Authority
155	Drinking Water Inspectorate
156	Exmoor National Park Authority
157	Lake District National Park Authority
158	New Forest National Park Authority
159	North York Moors National Park Authority
160	Northumberland National Park Authority
161	Peak District National Park Authority
162	South Downs National Park Authority
163	UK Co-ordinating Body
164	Yorkshire Dales National Park Authority
165	Commonwealth Scholarship Commission in the UK
166	Independent Commission for Aid Impact
167	Office of Rail and Road
168	Driver and Vehicle Licensing Agency
169	Driver and Vehicle Standards Agency
170	Maritime and Coastguard Agency
171	Vehicle Certification Agency
172	British Transport Police Authority
173	Directly Operated Railways Limited
174	High Speed Two (HS2) Limited
175	Northern Lighthouse Board
176	Transport Focus
177	Trinity House
178	Independent Commission on Civil Aviation Noise
179	Traffic Commissioners for Great Britain
180	Civil Aviation Authority
181	Crossrail International
182	London and Continental Railways Limited
183	Air Accidents Investigation Branch
184	DfT OLR Holdings Limited
185	Disabled Persons Transport Advisory Committee

	Agency/Body
186	East West Railway Company Limited
187	Highways England
188	Marine Accident Investigation Branch
189	Network Rail
190	Rail Accident Investigation Branch
191	Disabled People's Employment Corporation (GB) Ltd
192	Health and Safety Executive
193	The Pensions Advisory Service
194	The Pensions Regulator
195	Single Financial Guidance Body
196	Industrial Injuries Advisory Council
197	Social Security Advisory Committee
198	The Pension Protection Fund Ombudsman
199	The Pensions Ombudsman
200	National Employment Savings Trust (NEST) Corporation
201	Office for Nuclear Regulation
202	Pension Protection Fund
203	BPDTS Ltd
204	Independent Case Examiner
205	Remploy Pension Scheme Trustees Ltd
206	Medicines and Healthcare products Regulatory Agency
207	Public Health England
208	Care Quality Commission
209	Health Education England
210	Health Research Authority
211	Human Fertilisation and Embryology Authority
212	Human Tissue Authority
213	NHS Blood and Transplant
214	NHS Business Services Authority
215	NHS Digital
216	NHS England
217	NHS Resolution
218	National Institute for Health and Care Excellence
219	Social Work England
220	Advisory Committee on Clinical Excellence Awards
221	British Pharmacopoeia Commission
222	Commission on Human Medicines

	Agency/Body
223	Committee on Mutagenicity of Chemicals in Food, Consumer Products and the Environment
224	Independent Reconfiguration Panel
225	NHS Pay Review Body
226	Review Body on Doctors' and Dentists' Remuneration
227	Accelerated Access Review
228	Administration of Radioactive Substances Advisory Committee
229	Morecambe Bay Investigation
230	NHS Counter Fraud Authority
231	NHS Improvement
232	National Data Guardian
233	National Information Board
234	Porton Biopharma Limited
235	Wilton Park
236	British Council
237	Great Britain-China Centre
238	Marshall Aid Commemoration Commission
239	Westminster Foundation for Democracy
240	BBC World Service
241	Chevening Scholarship Programme
242	FCO Services
243	Government Communications Headquarters
244	Secret Intelligence Service
245	Government Actuary's Department
246	NS&I
247	Government Internal Audit Agency
248	National Infrastructure Commission
249	UK Debt Management Office
250	Office for Budget Responsibility
251	Royal Mint Advisory Committee
252	The Crown Estate
253	Financial Conduct Authority
254	Infrastructure and Projects Authority
255	Payment Systems Regulator
256	Royal Mint
257	UK Asset Resolution Limited
258	UK Government Investments
259	Disclosure and Barring Service

	Agency/Body
260	Gangmasters and Labour Abuse Authority
261	Independent Office for Police Conduct
262	Office of the Immigration Services Commissioner
263	Security Industry Authority
264	Advisory Council on the Misuse of Drugs
265	Animals in Science Committee
266	Biometrics and Forensics Ethics Group
267	Migration Advisory Committee
268	Police Advisory Board for England and Wales
269	Police Remuneration Review Body
270	Technical Advisory Board
271	Investigatory Powers Tribunal
272	Police Discipline Appeals Tribunal
273	Independent Anti-slavery Commissioner
274	The Adjudicator's Office
275	Biometrics Commissioner
276	College of Policing
277	Commission for Countering Extremism
278	Forensic Science Regulator
279	HM Inspectorate of Constabulary and Fire & Rescue Services
280	Independent Chief Inspector of Borders and Immigration
281	Independent Family Returns Panel
282	Independent Reviewer of Terrorism Legislation
283	Investigatory Powers Commissioner's Office
284	National Counter Terrorism Security Office
285	National Crime Agency Remuneration Review Body
286	Office for Communications Data Authorisations
287	The Security Service
288	Surveillance Camera Commissioner
289	Defence Electronics and Components Agency
290	Defence Science and Technology Laboratory
291	UK Hydrographic Office
292	Armed Forces Covenant Fund Trust
293	National Army Museum
294	National Museum of the Royal Navy
295	Royal Air Force Museum
296	Single Source Regulations Office

	Agency/Body
297	Advisory Committee on Conscientious Objectors
298	Armed Forces' Pay Review Body
299	Defence Nuclear Safety Committee
300	Independent Medical Expert Group
301	Nuclear Research Advisory Council
302	Scientific Advisory Committee on the Medical Implications of Less-Lethal Weapons
303	Veterans Advisory and Pensions Committees
304	Central Advisory Committee on Compensation
305	Advisory Group on Military Medicine
306	Defence Academy of the United Kingdom
307	Defence Sixth Form College
308	Defence and Security Media Advisory Committee
309	Fleet Air Arm Museum
310	The Oil and Pipelines Agency
311	Reserve Forces' and Cadets' Associations
312	Royal Marines Museum
313	Royal Navy Submarine Museum
314	Service Complaints Ombudsman
315	Service Prosecuting Authority
316	United Kingdom Reserve Forces Association
317	Queen Elizabeth II Conference Centre
318	Ebbsfleet Development Corporation
319	Homes England
320	Housing Ombudsman
321	Leasehold Advisory Service
322	Regulator of Social Housing
323	Valuation Tribunal Service
324	Building Regulations Advisory Committee
325	Valuation Tribunal for England
326	Architects Registration Board
327	Local Government and Social Care Ombudsman
328	UK Holocaust Memorial Foundation
329	Criminal Injuries Compensation Authority
330	HM Courts & Tribunals Service
331	Her Majesty's Prison and Probation Service
332	Legal Aid Agency
333	Office of the Public Guardian

	Agency/Body
334	Cafcass
335	Criminal Cases Review Commission
336	Judicial Appointments Commission
337	Legal Services Board
338	Parole Board
339	Youth Justice Board for England and Wales
340	Advisory Committees on Justices of the Peace
341	Civil Justice Council
342	Civil Procedure Rule Committee
343	Criminal Procedure Rule Committee
344	Family Justice Council
345	Family Procedure Rule Committee
346	Independent Advisory Panel on Deaths in Custody
347	Insolvency Rules Committee
348	Law Commission
349	Prison Service Pay Review Body
350	Sentencing Council for England and Wales
351	Tribunal Procedure Committee
352	Academy for Social Justice
353	HM Inspectorate of Prisons
354	HM Inspectorate of Probation
355	Independent Monitoring Boards
356	Judicial Appointments and Conduct Ombudsman
357	Judicial Office
358	The Legal Ombudsman
359	Official Solicitor and Public Trustee
360	Prisons and Probation Ombudsman
361	Victims' Commissioner
362	Northern Ireland Human Rights Commission
363	Parades Commission for Northern Ireland
364	Boundary Commission for Northern Ireland
365	Boundary Commission for Scotland
366	Export Guarantees Advisory Council
367	UK Export Finance

Northern
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