

# Move government out of London

Moving government officials out of high-cost London will cut taxes, argues Dan Lewis.



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London is the third most expensive city on earth. So the additional costs of employing public sector workers in wages, building rents and recruitment compared to elsewhere in the UK ought to be prohibitive. But this government and the ones preceding it have barely noticed. Instead the humble taxpayer is forced to foot an ever-rising bill thanks to the haemorrhaging of public funds by Gordon Brown into the machinery of government, much of which is still located in London.

Yet the potential for cost-savings by moving government out of London to the so-called "regions" are enormous and cumulative. At present, there are 90,000 civil servants in London. The government has taken tentative steps to reduce that figure following the Lyons report, by relocating 20,000 out of London by 2010 and up to 60,000 at a later unspecified date. For all that, the more sinister reason for doing so is that global terrorism armed with greater capabilities, has created a new vulnerability to a government principally located in a few square miles.

According to a recent annual cost of living survey conducted by Mercer of 144 cities, London is the 3rd most expensive city in the world, just behind Tokyo and Osaka. A full 20 per cent higher than New York. The backdrop to this is that faced with a rising cost-base, the UK's private sector has been under constant and increasing pressure to cut overheads and be competitive within the global economy. In the 80s and early 90s this translated into the outsourcing of Back Office functions such as call centres, data input and payment processing to remoter parts of the UK, like Scotland, Cornwall and of course, our neighbour, the Republic of Ireland. Now as telecommunications improve, these first-wavers are getting priced out by India. In the

meantime, the private sector is bracing itself for the next wave of outsourcing that may include accountants, lawyers, high-end software developers and even bond analysts.

So much for the Service Sector. Meanwhile in manufacturing, faced with the rise of China, no one seriously believes anymore that mass manufacturing in Britain could survive without the fantasy safety bubble of a cheap currency and an enormous tariff wall surrounding Western Europe. A forlorn hope if there ever was one. Throw in the Pensions Crisis, the relentless growth in the regulatory burden from the EU, a prospective decline in the size of the working population, the rising costs of energy, a decline in foreign direct investment. . . etc. and pretty soon one starts to see that the only place where the cost base could be lowered is in the moribund public sector.

All this means that for the first time, there is enormous pressure for government, whatever its stripes, to cut its costs. If only because throughout the 80s and 90s it has done virtually nothing on a comparative scale to the Private Sector that would do so. Yet what few realize is that the UK was the first to pioneer "relocation" of government services out of the capital and this was – like today – under the threat of war. Starting from June 1939, numerous government offices, involving close on 25,000 staff were removed to such locations as Colwyn Bay, Bath, Southport, Blackpool and Harrogate. The imperative to do so of course was inspired by the maxim coined by Stanley Baldwin in 1932 "... the bomber will always get through".

Today unfortunately, we are dealing with a new kind of bomber, less tangible than the Luftwaffe's Dorniers or Heinkels, but possibly with a biological or nuclear device,

far more destructive. And this sort of bomber is harder to stop getting through. That's why a dispersal of government around the country would go a long way to limiting the damage of such an attack and the motivation to do so in the first place.

But even if you don't think that a major act of terrorism is a good reason for moving government out of London, it's impossible to deny the economic benefits. The same aforementioned survey only had 2 other UK population centres in the top 144 most expensive cities. Glasgow which ranked 40 and Birmingham which ranked 47. Of particular interest is that life in these 2 cities was better value than Bratislava in the Slovak Republic and even Dakar in Senegal. No country in Western Europe has a greater range of regional costs than Britain. And no country has failed more to exploit them.

Matthew Elliott, Chief Executive of the TaxPayers' Alliance, the independent campaign for lower taxes, says: "When businesses locate a headquarters, their number one priority is value for money. Government departments, on the other hand, have traditionally focused on finding an SW1 location – the closer to Downing Street the better. We support the current drive to relocate departments out of central London. If staff don't need to see the minister, they don't need to be in SW1."

This is hard to argue with. But those that should set an example of parsimony are not doing so. Take the National Audit Office. Earlier this year, the NAO secured a long-term lease on a building for its headquarters, just a stone's throw away from the Queen, in Buckingham Palace Gate. And yes, this is in SW1.

Typically, commercial rents can be as much as two or even 4 times less at £100 per square metre in

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“type one” office premises in Leicester compared to Central London. And salaries can be up to 25 per cent lower for administrative and secretarial posts and up to 45 per cent cheaper for managers. Yet there are other reasons than plain economic good sense for doing this. More often than not, the premises available are better laid-out and more up to date. And a new location can be a real catalyst for overcoming a cultural aversion to change. Once you throw in the huge strides that have been made in telecommunications with the internet, people really can do the job from afar.

Clive Shore, an associate consultant with Governetz, a public sector consultancy specializing in the relocation of government departments and public bodies says; “In an increasingly competitive and challenging global economic environment, Governments need to consider all options that can release resources that can be better spent elsewhere - improving investment and social welfare. Public sector reform is clearly one such option.”

Indeed, some might argue that a failure of the Tory governments of the 80s and 90s was to not see that by hiving off government departments to Wales and Scotland, devolution – and a Tory collapse – could have been prevented. It was particularly hard-felt in Scotland that they were ruled from London by the English. However, had the Treasury and its 1200 posts for example being relocated to Edinburgh and more Scots had a stake in Central Government, these matters could have been seen in quite a different light. In fact, cynics might argue that only a large number of civil servants in Edinburgh and Glasgow would have seen the creation of a high-speed rail link between Scotland and London, decades ago. This would be just one infrastructure gain together



Eland House, Victoria – home of the Office of the Deputy Prime Minister

with a concomitant reduction in our overloaded capital.

So if relocation makes such good economic, cultural and infrastructural sense, where is all the opposition coming from?

The answer is Sir Humphrey, the archetypal high-ranking civil servant. He really doesn't like the image and lifestyle of living and working somewhere like Newcastle. But Britain has been here before. A century ago, Sir Humphrey was prepared to work in the darkest reaches of Empire. Some pretty awful places like the Sudan, the North West frontier of India and British Somaliland. The question is why?

The answer is the state provision of school fees for his children to attend good public schools.

Nowadays, boarding schools are often seen as psychologically damaging by enforcing a separation of children and parents. But the state provision of education has barely improved. So what's needed are good private day schools that Sir Humphrey can send his children in confidence too. These are simply not available in quantity to the regions. Such schools will not appear quickly without the introduction of a school voucher system nationwide. The point is this, for Sir Humphrey, the regions like Wales and the North East look like the darkest holes of empire.

The high static costs of the UK's government are unlike the major Public Services of Health and Education, quickly ameliorated through a relocation programme out

of London. The alternative of an unending upward spiral of tax on the private sector is not acceptable. It's just unreasonable to expect the private sector to become more productive while a lecturing government sits on its own very expensive hands, doing nothing to cut the rising fiscal costs of using property in London.

To coin a phrase: relocation, relocation, relocation!