

Relocation of Scottish Executive departments, agencies and NDPBs

Prepared for the Auditor General for Scotland

September 2006



- Key to Scottish authorities
1. CITY OF ABERDEEN
 2. DUNDEE CITY
 3. WEST DUNDEE
 4. EAST DUNDEE
 5. CITY OF GLASGOW
 6. INVERCLYDE
 7. RENFREWSHIRE
 8. EAST RENFREWSHIRE
 9. NORTH ABERDEENSHIRE
 10. FALKIRK
 11. CLACKMANNANSHIRE
 12. WEST Lothian
 13. CITY OF EDINBURGH
 14. MID Lothian

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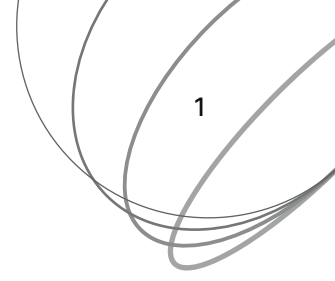
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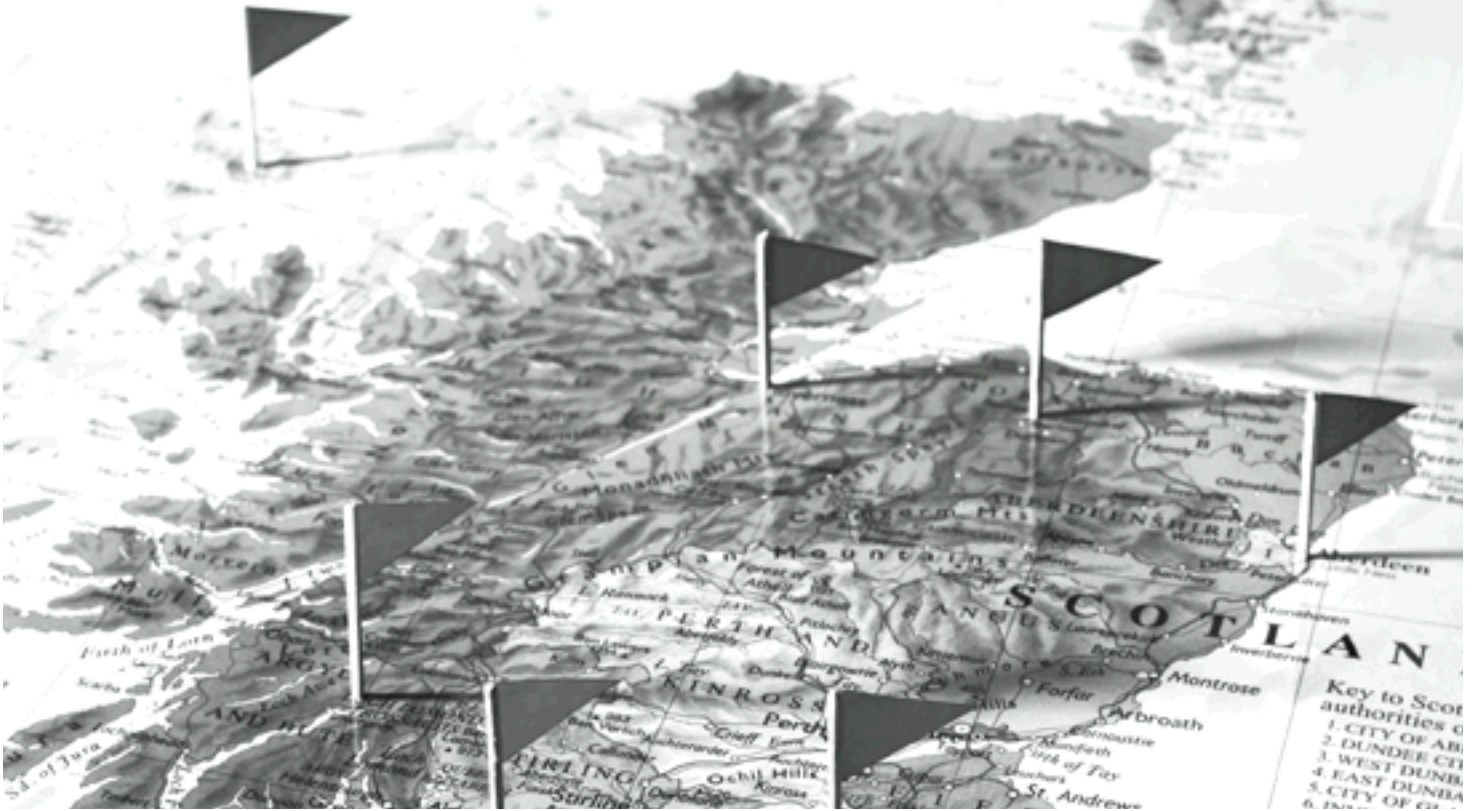
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Summary



By moving jobs from high cost areas such as Edinburgh to other locations throughout Scotland, the Scottish Executive expects to achieve efficiency savings and improvements in service by taking government closer to the people.

Background

1. The Scottish Executive's policy for the location and relocation of public sector organisations in Scotland was announced in September 1999. The policy covers the Executive's departments and agencies, departments of non-ministerial office holders, the Crown Office, National Health Service common services functions and all non-departmental public bodies (NDPBs) funded by the Scottish Executive. Around 34,000 posts are eligible to be considered under the policy, representing approximately one per cent of the employed population in Scotland. The policy has evolved over time and currently has three key objectives:

- to ensure that the government in Scotland is more efficient and decentralised
- to provide cost-effective delivery solutions
- to assist areas with particular social and economic needs.¹

2. Organisations are normally considered to be potential candidates for relocation when they reach one of the following 'trigger' points:

- A new unit, agency or organisation is created.
- An existing organisation is merged or otherwise reorganised.
- A significant property break is reached, for example, the termination of an existing lease.

What has relocation delivered?

3. By May 2006, the locations of 38 public sector bodies, involving some 4,681 staff, had been, or were being, reviewed. Of these, 28 bodies with 2,833 staff had been (or will be) either relocated or established outside Edinburgh. The Executive estimates that a further 20 reviews will be announced in the next five years. No targets for the number of jobs to be relocated or established have been set and the Executive has not issued any priorities for specific areas of the country expected to benefit from the policy.

4. By May 2006, 1,653 posts (15 per cent of those eligible for consideration) had been transferred, or were in the process of being transferred, from Edinburgh to another location. A further 1,164 posts had been established outside Edinburgh in new or reorganised organisations.

5. The decision to relocate an organisation will result in direct and indirect costs. Advantages can be gained where the relocated organisation operates more efficiently or where other benefits related to wider policy objectives, such as economic development or social inclusion, are achieved. Other organisations, such as central branches of the Executive, and local authorities and local enterprise companies who attract relocation to their areas, also incur costs.

6. We found that the one-off costs of moving varied significantly. Some of this reflects the size of the organisation but significant variation also arose because some organisations needed to operate at two sites as the relocation proceeded. This parallel running is needed to maintain business performance and is influenced by several factors:

- Rate and timing of staff leaving who choose not to move with the organisation.
- When current accommodation requires to be vacated.
- When accommodation at the new location will be ready.
- Training requirements for new staff, particularly where the new location is distant from the existing location.

7. Information to calculate cost per job for the relocations to date was not available at the outset of our audit. Only one of the organisations in our sample used cost per job during their location review. In some cases we were unable to gather sufficient information to construct an estimate, but in six cases we were able to gather enough information to allow us to make a provisional estimate. These estimates suggest that, for the six cases where information is available, the cost per job relocated may range from a saving of some £33,000 per job to a cost of £45,000 per job.

8. The Executive has no routine mechanisms in place to monitor the potential efficiency or productivity indicators for bodies that have relocated. This is partly explained by difficulties in assessing the extent to which efficiency gains can be attributed to relocation and partly because the full benefit can only be recognised over time. At May 2006, four of the 12 cases we reviewed had been operating at a new site for less than six months. There has been some limited analysis of the wider benefits delivered for individual relocations. For example, Scottish Enterprise Borders and the Scottish Borders Council commissioned consultants to assess the impact of

¹ *The Relocation Guide*, Scottish Executive, June 2005.

the Scottish Public Pensions Agency's (SPPA) move to Galashiels. The analysis identified a range of positive and negative results attributable to the relocation but reached no overall conclusion.

How has relocation been managed?

9. The Scottish Executive relies on departments to identify organisations that are subject to major organisational change or are considering future accommodation options. Our analysis found that only two of 38 reviews arose from potential efficiency improvements identified in organisations' business plans. A further five reviews arose from the Small Units Initiative (SUI) which is directly linked to wider policy objectives for developing remote and rural communities. Eleven organisations were new. The remaining 20 cases all arose from a requirement to undertake reviews because of changes in status or lease breaks.

10. In nine of the 12 cases we examined, new or revised criteria were introduced late in the process. As a result, organisations were required to revisit proposals to accommodate factors such as:

- locations not on the initial shortlist
- different criteria for assessing sites
- multiple, rather than single, site options (or vice-versa)
- co-location with other organisations.

11. These late changes reflect the absence of a clear process for relocation. Established organisations are identified for relocation based on a lease break or change in organisational status, but once they are in the process of relocation, ministers may decide to utilise the move to achieve additional policy objectives.

12. In making their decision, ministers may consider not only the individual scores awarded to locations but also external factors which might be relevant, such as whether a particular location has suffered significant redundancies or another set-back where ministers consider public sector jobs may be of benefit. For example, in the case of SPPA, ministers considered the impact of foot and mouth disease in the Borders in reaching their decision on Galashiels as the location for the organisation.

13. In other cases, the reasons for not choosing a highly ranked location were less clear. For example, in the case of Scottish Natural Heritage (SNH), Inverness was chosen by ministers despite being ranked lowest of the five locations on the final shortlist.

14. For all of the cases in our study, the reasons for choosing the final location over the others in the shortlist were not clearly articulated. In September 2004, the Executive told the Scottish Parliament's Finance Committee that, in future, it would issue statements highlighting the main reasons behind decisions.

15. Relocation of public sector organisations and posts is not unique to Scotland. There is a UK policy and several other countries have established policies or specific approaches to relocation. There has been no formal evaluation of the UK policy, but there are a number of interesting variations from the Scottish approach.

Summary of recommendations

16. The Executive's approach to location and relocation has evolved since the policy was announced in 1999. The publication of a formal relocation guide and the strengthening of support for organisations undertaking location reviews should help to reduce the inconsistencies found in reviews undertaken to date. A summary of our recommendations follows.

Strategic approach

17. The Executive should:

- compile a database of suitable locations and properties and consider prioritising locations
- consider how individual relocations can affect other public sector organisations not directly involved in the relocation eg, loss of staff and/or staff inputs required to the process from the wider public sector
- consider how good practice across the UK could be disseminated or incorporated.

Costs and benefits

18. The Executive should:

- ensure the measures of success are clearly defined for both individual relocations and for relocation overall
- improve its approach to gathering cost information before, during and after relocation
- develop its plans for monitoring, evaluating and reporting both efficiency gains and wider benefits from relocation.

Relocation practice

19. The Executive should:

- provide clear guidance, including the criteria and weightings to be used, at the outset of each review, and should make changes only where the reasons for doing so are clear
- ensure organisations engage staff from the outset and that they provide all staff with information and support throughout the relocation process
- ensure reviews are completed in a reasonable timescale to minimise the potential adverse effect on staff and performance
- make clear the reasons for choosing a particular location over others on the shortlist at the time the final location is announced. The reasons should be clearly linked to the objective to which the location is expected to contribute.

Part 1. Introduction



20. The dispersal of public sector jobs is intended to deliver a range of benefits. By moving jobs from high cost areas such as Edinburgh to other locations throughout Scotland, the Scottish Executive expects to achieve efficiency savings and improvements in service by taking government closer to the people. The introduction of new jobs to other areas of the country can also bring socio-economic benefits in line with the Executive's economic development and social inclusion policies.

21. In September 1999, the Executive's policy for the location and relocation of public sector organisations in Scotland was announced, to promote efficiency and effectiveness and to deliver services close to the communities they serve. The policy covers the Executive's departments and agencies, departments of non-ministerial office holders, the Crown Office, National Health Service common services functions and all NDPBs funded by the Scottish Executive. The policy

has evolved over time and currently has three key objectives. These were introduced to:

- ensure that the government in Scotland is more efficient and decentralised
- provide cost-effective delivery solutions
- assist areas with particular social and economic needs.²

22. Another strand of the policy, the Small Units Initiative (SUI), was introduced in 2002. It seeks to focus some dispersal on promoting sustainable rural communities by relocating small discrete units of Executive work to Scotland's more remote and rural communities.

23. The Executive does not see the policy as being implemented in isolation and has given a commitment to make explicit the connection between relocation policy, efficient government and best value.³

Scottish relocation practice

24. Organisations are normally considered to be potential candidates for relocation when they reach one of the following trigger points:

- A new unit, agency or organisation is created.
- An existing organisation is merged or otherwise reorganised.
- A significant property break is reached, for example, the termination of an existing lease.

25. When trigger points are reached, individual organisations are expected to identify and review location options. Potential locations are scored against criteria to assess the extent to which they will meet policy objectives before a shortlist of potential locations is submitted to ministers. Organisations can include any location within Scotland in their review but there is a general presumption against retaining or

² *The Relocation Guide*, Scottish Executive, June 2005.

³ Answer to Parliamentary Question, 12 July 2005, (Ref: S2W-17570).

establishing new operations in Edinburgh. Ministers make the final choice of location and the organisations are then required to plan and implement the relocation. The relocation process is summarised in [Exhibit 1 \(overleaf\)](#).

26. [Exhibit 2 \(page 9\)](#) lists those organisations that have been reviewed, established and/or relocated since the policy's introduction. By May 2006, the locations of 38 public bodies, involving some 4,681 staff, had been, or were being, reviewed. Of these, 28 bodies (with 2,833 staff) had been (or will be) either relocated or established outside Edinburgh. The Executive estimates that a further 20 reviews will be announced in the next five years. No targets for the number of jobs to be relocated or established have been set and the Executive has not issued any priorities for specific areas of the country expected to benefit from the policy.

Scottish Parliament's Finance Committee Inquiry

27. The Scottish Parliament's Finance Committee conducted an inquiry into the relocation of public sector jobs. Its report, published in June 2004,⁴ raised a number of questions about the strategic nature of the policy, such as lease break as an appropriate trigger, and the implementation of relocation practice. In response, the Executive identified a number of areas where relocation practice could be clarified, to bring improvements to the process for organisations currently under consideration ([Exhibit 3, page 10](#)).

28. The Finance Committee continues to monitor relocation and has taken evidence from the Executive approximately every six months, normally in June and December, since its report was published.

About the study

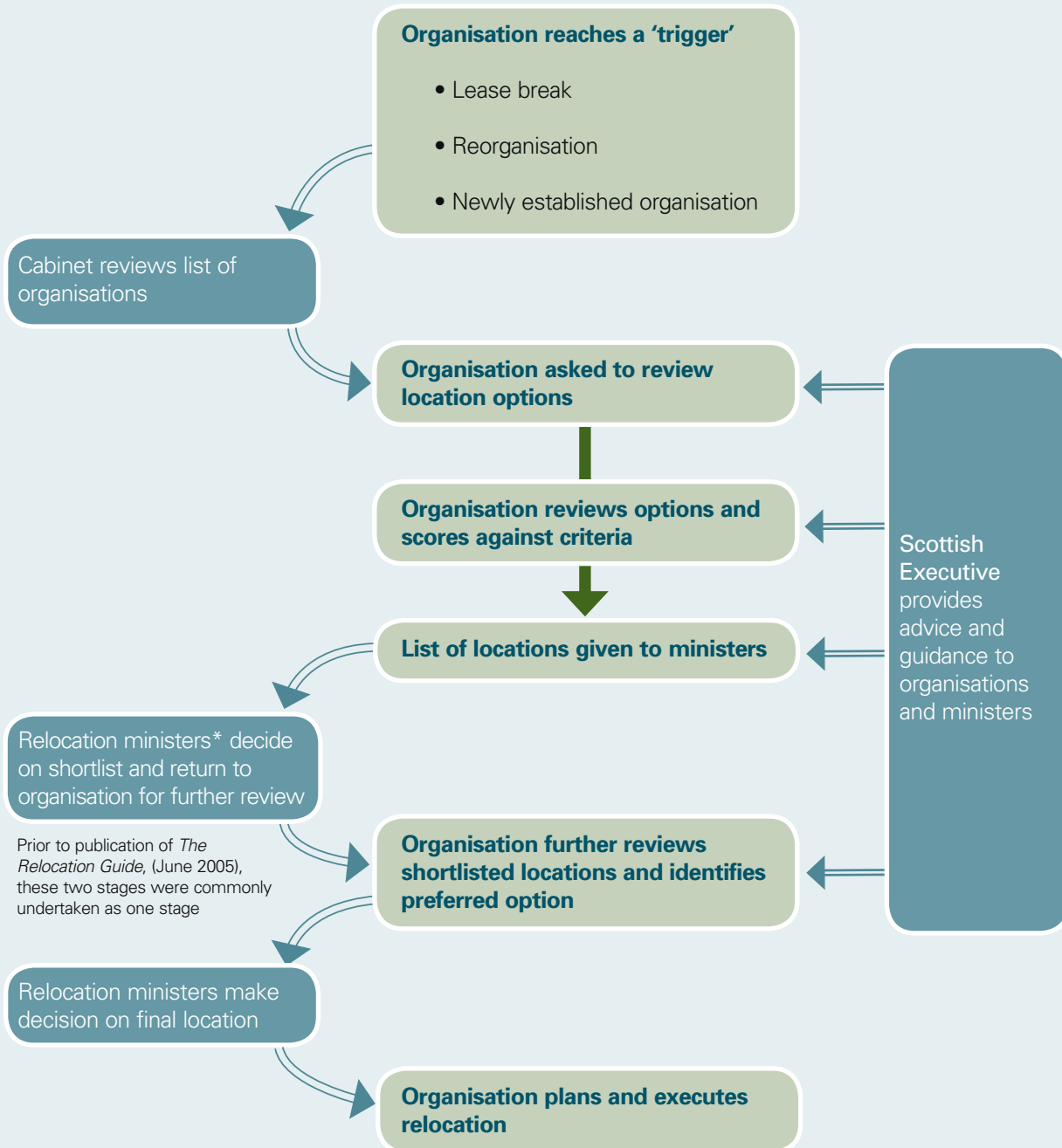
29. This report examines the implementation of the policy, the outcomes achieved ([Part 2, page 11](#)) and the processes employed to deliver those outcomes ([Part 3, page 24](#)). Audit Scotland's research for this project included:

- Detailed examination of a sample of 12 locations and relocations. For each, we reviewed the relocation process from announcement of the review through to the physical relocation (where it had taken place).
- A series of meetings and discussions with our study advisory group members ([see Appendix 1, page 35](#)).
- Regular consultations with the relocation team at the Scottish Executive to understand past and current practice in terms of relocations.
- A review of the literature on relocation policy at both a Scottish and UK level, including work prepared for Audit Scotland by King Sturge and subsequently updated for UK-wide relocations ([Appendix 5, page 44](#)).

4 *Relocation of Public Sector Jobs*, SP Paper 189, Finance Committee, 6th Report 2004.

Exhibit 1

Relocation practice in Scotland



Note:

* The relocation ministers are a group of ministers who are consulted on each review. This group currently consists of: First Minister, Minister for Parliamentary Business, Minister for Finance and Public Sector Reform, Deputy Minister for Finance, Public Sector Reform and Parliamentary Business and Minister for Environment and Rural Development. The relevant portfolio minister makes the final decision.

Source: Audit Scotland

Exhibit 2

Organisations reviewed/established/relocated since introduction of the policy in 1999

Relocated	
<i>Accountant in Bankruptcy</i>	<i>NHS Central Register (SUI)</i>
Central Enquiry Unit (SUI)	NHS Health Scotland
COPFS Transcription Units (SUI)	NHS National Services Scotland
<i>Croft House Grant Scheme (SUI)</i>	<i>SE Inquiry Reporters' Unit</i>
Enterprise and Lifelong Learning Department	<i>Scottish Natural Heritage</i>
Forest Enterprise	<i>Scottish Public Pensions Agency</i>
<i>Her Majesty's Inspectorate of Education</i>	Scottish Water HQ
Newly established	
Architecture and Design Scotland	<i>Scottish Building Standards Agency</i>
Food Standards Agency	Scottish Commission for the Regulation of Care
<i>Office of the Scottish Charity Regulator</i>	Scottish Social Services Council
Mental Health Tribunal Service	Transport Scotland
Public Guardian's Office	Water Watch (SUI)
Risk Management Authority	
Decision announced but not yet relocated	
Communities Scotland	NHS National Services Scotland
Sportscotland	NHS Quality Improvement Scotland
<i>NHS Education for Scotland</i>	
Currently under review	
Registers of Scotland	Legal Services Ombudsman
Scottish Court Service	VesCo
Identified for review but review deferred	
Scottish Arts Council	Mental Welfare Commission
Scottish Funding Council	
Decision made not to relocate	
<i>VisitScotland</i>	<i>Learning and Teaching Scotland</i>

Notes:

1. (SUI) denotes unit considered under the Small Units Initiative.
2. Those in italics are case studies.

Source: Audit Scotland

Exhibit 3

Finance Committee findings

Finance Committee findings	Scottish Executive response
<ul style="list-style-type: none"> • The policy appeared to have been developed in an ad hoc, rather than strategic, way. • There had not been a full public debate and clear communication on the policy. • The committee was concerned that the way in which relocation had operated to date had not had as significant an impact on areas of deprivation as the policy had suggested. • It also had concerns about whether criteria had been applied consistently. • And it felt that the use of limited trigger mechanisms may not be the most strategic basis for continuing with the relocation policy. 	<p>We will:</p> <ul style="list-style-type: none"> • publish revised guidance • issue statements highlighting the main reasons behind decisions • set out clearer standards for staff consultation on relocation • consider how the appraisal criteria could be applied more consistently • continue to evaluate the impact of the policy • provide the committee with detailed cost information • continue efforts to make sure Scotland benefits from UK relocations • return to the committee with firmed-up ideas for developing our approach to relocation.

Source: Audit Scotland

Part 2. What has relocation delivered?



Key messages

Only six per cent of public sector employees in Scotland are covered by the relocation policy. A significant proportion of the posts relocated and located throughout Scotland have been located in Glasgow. Around half of the jobs not filled by existing staff have been filled by new staff recruited from other public sector organisations.

The Executive has limited information on costs and benefits incurred but our estimates suggest moving costs for relocations vary significantly. There is some evidence of efficiency gains from reduced running costs, and some limited evidence of improvements in productivity. We found that the cost per job associated with individual relocations varies.

Little has been done to systematically evaluate the wider benefits of relocation but we did find evidence of evaluation in one case. The Executive plans to evaluate impact, both for individual locations/relocations and for Scotland as a whole.

30. This part of the report looks at what relocation has delivered in terms of:

- dispersal of jobs
- financial/economic costs and benefits of relocation
- wider benefits of relocation
- evaluation of impact.

Dispersal of jobs

Only six per cent of public sector employees in Scotland are covered by the relocation policy

31. Some two-and-a-half million people are in employment in Scotland, with around a quarter (580,300) employed in the public sector.⁵ Relocation policy applies only to public sector jobs under the direct control of the Executive and excludes staff employed by:

- UK government departments located in Scotland eg, Department of Work and Pensions and Ministry of Defence staff
- local authorities, the police and the fire service
- health boards.⁶

⁵ *Public Sector Employment in Scotland: Statistics for 4th Quarter 2005*, Scottish Executive and the Office for National Statistics, April 2006.

⁶ With the exception of special health boards, which are covered by the policy.

32. Relocation has progressed against a general trend of increasing public sector staff. The Executive estimates that around 34,000 posts (six per cent of public sector employees) are covered and that around 67 per cent of the eligible posts are located outside Edinburgh. [Exhibit 4](#) provides a breakdown of the posts eligible for relocation.

Posts have been relocated and located throughout Scotland. Nearly 60 per cent of relocated jobs have moved to Glasgow

33. By May 2006, 1,653 posts (15 per cent of those eligible) had been transferred, or were in the process of being transferred, from Edinburgh to another location. A further 1,164 posts had been established outside Edinburgh in new or reorganised organisations.

34. [Exhibits 5 and 6 \(pages 14 and 15\)](#), detail how jobs have been dispersed throughout Scotland since 1999. Fifty-six per cent of the posts relocated from Edinburgh have been or will be located in Glasgow. A further 200 posts have been created in Glasgow as a result of the creation of the Executive's new transport agency, Transport Scotland. Other areas benefiting from the policy include Inverness, Dundee, Aberdeen and Hamilton. The main areas to benefit from the SUI are Dumfries, Alloa, Kinlochleven and Tiree.

Around half of the jobs not filled by existing staff have been filled by new staff recruited from other public sector organisations

35. Seven of the 12 organisations we examined have relocated or are in the process of moving. A further two are new organisations which carried over some functions and staff from predecessor organisations. Of the remaining three, two were reviewed but did not move and a

decision is still to be reached for the other. [Exhibit 7 \(page 16\)](#) provides a breakdown of employment at the new locations and the information available to us on the source of staff filling those posts.

36. We found that most current staff did not transfer from the original location. Of some 800 posts located or relocated in the cases we examined just over a quarter (234) of staff had transferred from the original location. Some 250 of the posts were filled by transfers from the organisations' other locations and by staff already employed by the Executive or other public bodies. In the case of SNH, around 70 per cent of the staff at the new location came from SNH offices in other locations throughout Scotland (including Edinburgh and existing offices in Inverness).

37. Where new staff are recruited from other organisations, the vacancies they create will need to be filled. As a result, organisations that lose staff are likely to incur costs, in terms of advertising and recruitment. Although, in some cases, the loss of staff may help organisations who are themselves reducing staff numbers.

Costs and benefits of relocation

The Executive has limited information on costs and benefits

38. The decision to relocate an organisation will result in direct and indirect costs being incurred by that organisation. Advantages can be gained where the relocated organisation operates more efficiently or where other benefits related to wider policy objectives, such as economic development or social inclusion, are achieved. While ministers had expressed these aims at various times, they were first articulated explicitly in the Scottish

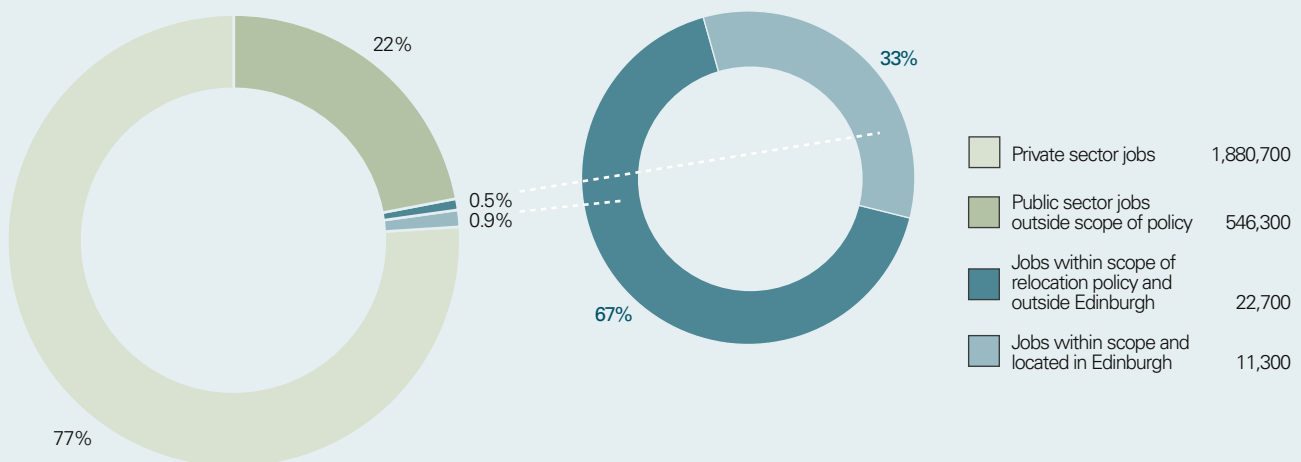
Executive's *The Relocation Guide*, published in June 2005. [Exhibit 8 \(page 17\)](#) summarises the costs and benefits that may occur. Other organisations, such as central branches of the Executive and local authorities and local enterprise companies also incur costs.

39. Departments normally track the progress of policy initiatives through a process of monitoring and evaluation. Monitoring data should be collected from the moment decisions are made to establish baselines, and then at regular intervals to ensure delivery against forecast is achieved. The Executive has not set up any mechanism for routinely gathering data. Consequently it has not undertaken any central review of the costs and benefits resulting from individual relocations. Although attempts have been made to gather some cost information, organisations which had undertaken relocation reviews were not able to provide complete information on projected and actual costs.

40. We were able to estimate the costs associated with the relocation of six of the 12 organisations in our sample. Where possible, these estimates have been prepared in line with HM Treasury (*The Green Book*) guidance on appraising public sector expenditure. Of the remaining six cases, one of the new organisations did not involve relocation, and one organisation has not yet had a final decision on location arrangements. In the remaining four, we were unable to gather sufficiently detailed information to allow us to construct an estimate.

Exhibit 4

Jobs eligible for relocation under the Executive's policy



Source: Audit Scotland/Scottish Executive/Office for National Statistics

Estimated moving costs for relocations vary significantly

41. The level of costs and benefits associated with individual relocations will vary. Factors such as the size of the organisation and the choice of location will have a significant effect on the costs of any move. Some moves may be expected to result in improved efficiency, where the benefit will be savings on running costs or recognisable improvements in productivity. In other cases, moves may be expected to achieve socio-economic benefits to encourage economic development and social inclusion in less well-off areas.

42. We found that the one-off costs of moving varied significantly ([Exhibit 9, page 18](#)). Some of this reflects the size of the organisation relocated but significant variation also arose because some organisations required to operate at two sites for periods of time as the relocation proceeded ([Exhibit 10, page 18](#)). This parallel running is needed to maintain business performance and is influenced by several factors:

- Rate and timing of staff leaving who choose not to move with the organisation.
- Date by which current accommodation requires to be vacated.
- Date at which accommodation at the new location will be ready.
- Training requirements for new staff, particularly where the new location is distant from the existing location.

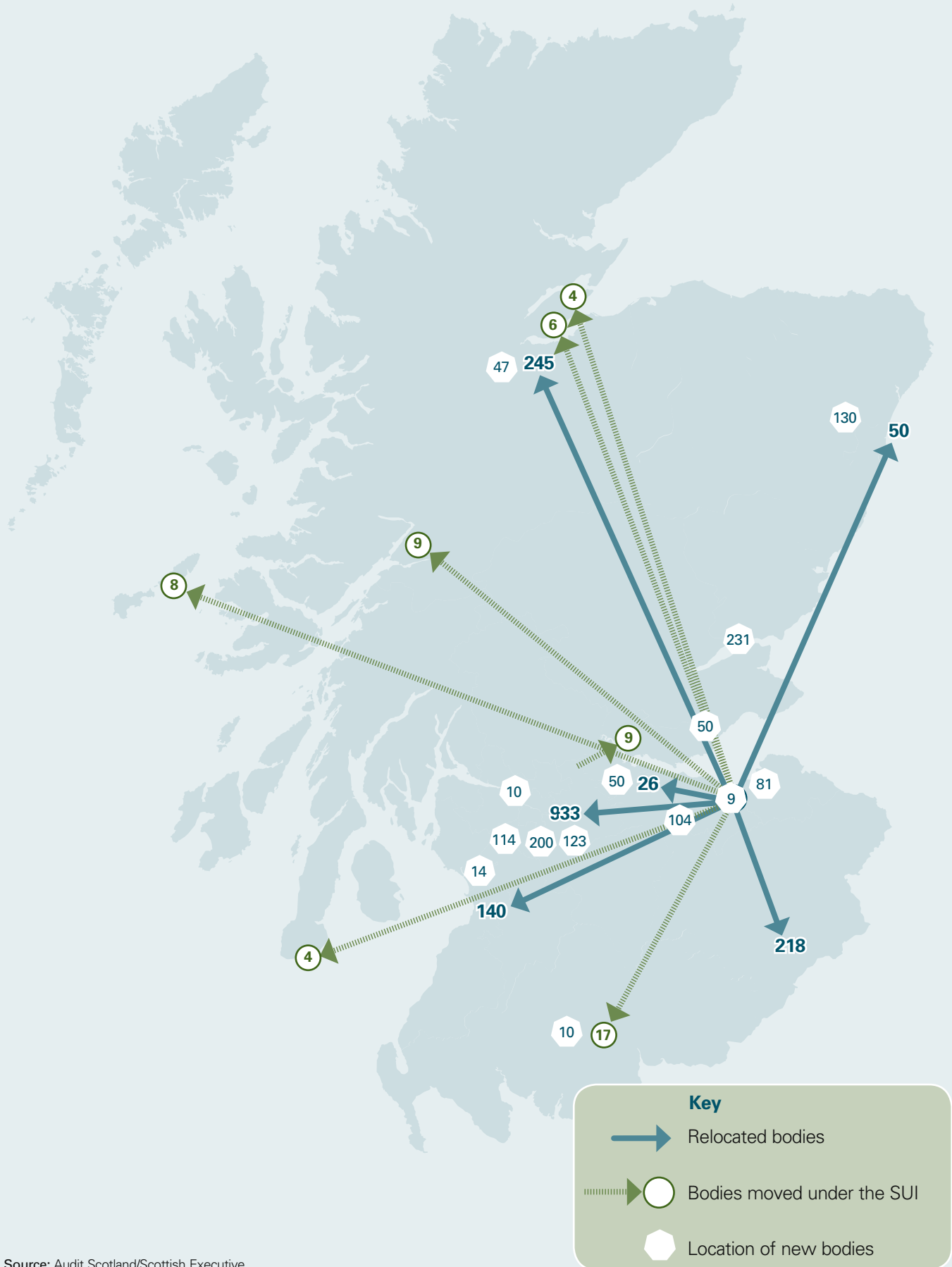
There is some evidence of efficiency gains from reduced running costs. More limited evidence exists of improvements in productivity

43. Organisations can achieve benefits from relocation through savings gained from more efficient delivery of services at their new location. More efficient and effective service is one of the objectives of the relocation policy and may be measured by improvements in the unit cost of an organisation's

operations or by improved productivity. We were able to estimate the impact of relocation on annual running costs for six organisations ([Exhibit 11, page 19](#)).

44. The Executive's relocation guide includes advice for relocating bodies about collecting information on costs/savings, efficiency and productivity gains. For relocations undertaken prior to the guide being published, there were no routine mechanisms in place to monitor the potential efficiency or productivity indicators for bodies that relocated. Evidence for the cases reviewed is limited. This is partly explained by difficulties in assessing the extent to which efficiency gains can be attributed to relocation and partly because the full benefit can only be recognised over time. At May 2006, four of the 12 cases we reviewed had been operating at a new site for less than six months.

Exhibit 5 Dispersal of posts throughout Scotland



Source: Audit Scotland/Scottish Executive

Exhibit 6

Breakdown of posts located and relocated (at May 2006)

Relocated (and soon to be relocated) bodies

Organisation	From	To	Posts
NHS National Services Scotland	Edinburgh	Aberdeen	50
SE Inquiry Reporters' Unit	Edinburgh	Falkirk	26
Scottish Public Pensions Agency	Edinburgh	Galashiels	218
Enterprise, Transport & Lifelong Learning Dept.	Edinburgh	Glasgow	210
NHS National Services Scotland	Edinburgh	Glasgow	60
NHS Quality Improvement Scotland	Edinburgh	Glasgow	99
NHS Health Scotland	Edinburgh	Glasgow	134
NHS Education for Scotland	Edinburgh	Glasgow	187
Communities Scotland	Edinburgh	Glasgow	110
Sportscotland	Edinburgh	Glasgow	133
Scottish Natural Heritage	Edinburgh	Inverness	245
Accountant in Bankruptcy	Edinburgh	Kilwinning	140

Glasgow total = 933

Bodies moved under the SUI

Organisation	From	To	Posts
Water Watch	Stirling	Alloa	9
COPFS Transcription Units	Edinburgh/Glasgow	Campbeltown	4
COPFS Transcription Units	Edinburgh/Glasgow	Dingwall	6
NHS Central Register	Edinburgh	Dumfries	17
Central Enquiry Unit	Edinburgh	Kinlochleven	9
COPFS Transcription Units	Edinburgh/Glasgow	Tain	4
Croft House Grant Scheme	Edinburgh	Tiree	8

Location of new or reorganised bodies

Organisation	Location	Posts
Food Standards Agency	Aberdeen	57
Scottish Commission for the Regulation of Care (regional office)	Aberdeen	73
Her Majesty's Inspectorate of Education (regional office)	Ayrshire	14
Her Majesty's Inspectorate of Education (regional office)	Clydebank	10
Forest Enterprise	Dumfries	10
Scottish Social Services Council	Dundee	29
Scottish Commission for the Regulation of Care (HQ)	Dundee	72
Scottish Commission for the Regulation of Care (regional office)	Dundee	100
Office of the Scottish Charity Regulator	Dundee	30
Scottish Water (HQ)	Dunfermline	50
Public Guardian's Office	Falkirk	50
Transport Scotland	Glasgow	200
Scottish Commission for the Regulation of Care (regional office)	Hamilton	103
Mental Health Tribunal Service	Hamilton	20
Scottish Commission for the Regulation of Care (regional office)	Inverness	37
Forest Enterprise	Inverness	10
Scottish Building Standards Agency	Livingston	44
Her Majesty's Inspectorate of Education (HQ)	Livingston	60
Scottish Commission for the Regulation of Care (regional office)	Musselburgh	81
Scottish Commission for the Regulation of Care (regional office)	Paisley	94
Risk Management Authority	Paisley	20

Aberdeen total = 130

Dundee total = 231

Hamilton total = 123

Inverness total = 47

Livingston total = 104

Paisley total = 114

- Notes:** 1. Tables do not include bodies where a decision was reached not to relocate.
2. Some bodies are dispersed among several locations eg, where there is both an HQ and regional offices.

Source: Audit Scotland/Scottish Executive

Exhibit 7

Transfers and new staff at relocated sites

Organisation	Posts at original location	Posts originally expected at new location	Current staffing ¹	Transferred	Ongoing/parallel running/temporary	New jobs	Internal recruitment	Executive	Other public sector	Other/not known
Accountant in Bankruptcy ²	92	140	132	2	31	99	0	21	39	39
Croft House Grant Scheme	8.5	8	9	0	0	9	0	2	N/K	7
Her Majesty's Inspectorate of Education ³	60	60	111	63	0	48	0	18	14	16
NHS Central Register	16	17	16	1	0	15	0	5	10	0
Office of the Scottish Charity Regulator ⁴	2	30	34	2	0	32	0	6	11	15
Scottish Building Standards Agency ⁴	21	44	29	17	0	12	0	7	5	0
SE Inquiry Reporters' Unit	26	26	22	6	0	16	0	12	4	0
Scottish Natural Heritage ⁵	245	245	250	110	25	115	66	0	N/K	49
Scottish Public Pensions Agency ⁶	194	218	220	33	0	187	0	38	N/K	149
Total	664.5	788	823	234	56	533	66	109	83	265

Notes: N/K – not known.

1. Based on current staff complement at new location, parallel running and posts still to move to the new location.

2. The organisation's final staff number is dependent on the final content of the Bankruptcy and Diligence etc. (Scotland) Bill, if passed and when enacted.

3. Sixty posts were identified through the relocation policy, a further ten moved as a result of other location planning (see Appendix 3, page 38).

4. New organisation but carried over some functions (and staff).

5. In process of relocation, some staff remain in Edinburgh. Total staffing includes staff previously based in the new location ie, Inverness, and who transferred to the new building (55 staff). Fifty staff remain in Edinburgh for business reasons, this to reduce to 25 by 2010, remaining 25 to transfer to Inverness. Currently carrying 19 vacancies – shown as other/not known.

6. Some figures extrapolated from consultants' (Biggar) survey.

Source: Audit Scotland/individual organisations

Exhibit 8

Costs and benefits of relocation

The following guidance and instructions are drawn from the Executive's relocation guide.

Moving costs

These are one-off set up costs which are incurred during the process of moving to the new location or in the subsequent months, but which are not expected to recur. These might include:

- **One-off staff costs:**
 - Staff relocation, financial assistance given to help staff with moving costs.
 - Recruitment costs – initial recruitment costs, over and above what would normally be spent in a standard year.
 - Training costs – cost of additional training courses for new staff. As with recruitment costs, only include costs over and above what would normally be spent in a normal year.
 - Redundancy costs – (if applicable, estimate total redundancy payments).
- **One-off accommodation/property costs:**
 - Fitting out – general fitting out of new office eg, decoration, new furniture, etc.
 - Fitting out – IT, new PCs, servers, cabling, etc.
 - Costs of purchasing, or constructing, a new property (if applicable, if fitting out is part of purchase costs, please do not double count).
 - Value of original premises – applicable only if the property was owned by the organisation or the Scottish Executive rather than rented/leased. If previous property has been sold, or is expected to be, please quote sale price. Otherwise estimate market value.
 - Lease breakage charges and/or other costs (if applicable).
- **Other one-off costs:**
 - Additional rent or lease costs. Please list individual costs separately and give a brief description of each.

Additional annual running costs/savings

This section relates to changes in the organisation's on-going running costs.

- **Additional annual accommodation/property costs:**
 - Additional rent or lease costs.
 - Rates.
 - Service charges.
 - Other recurring accommodation/property costs.
- **Recurring additional staff travel costs:**
 - Travel to/from work costs per annum.
- **Recurring additional communications and technology costs:**
 - IT and telephony costs above what had previously been incurred by the organisation.
 - In work travel costs – annual costs over and above what had previously been incurred by the organisation.
- **Other recurring costs**

Wider benefits

- Has any aspect of the relocation led to an improved level of service provision or efficiency gain?

Exhibit 9

Moving costs incurred in relocations

Cost of moving – includes fitting out costs, removal, IT capital, recruitment of new staff, training and parallel running.

Organisation	Total cost of moving (£000)	Number of staff employed
Accountant in Bankruptcy*	4,388	101
Croft House Grant Scheme	134	9
Learning and Teaching Scotland	3,212	172
NHS Central Register	457	16
Scottish Natural Heritage*	21,070**	250
Scottish Public Pensions Agency	5,193	220

These estimates have been made based on evidence gathered from the individual organisations. All calculations have been carried out by Scottish Executive economists in discussion with Audit Scotland. The figures are estimates only and are not intended to be definitive. The aim of the exhibit is to draw attention to the factors that need to be considered when estimating the costs of relocation.

Notes: All figures have been re-based to the year 2004/05.

* The Accountant in Bankruptcy's (AiB) role was expanded at the same time as relocation was considered and more space was required to accommodate the additional staff to be recruited. For both AiB and SNH, the full complement has not yet been reached at the new location and so the accommodation is currently under-utilised.

** Includes the £13 million cost of a new building.

Source: Audit Scotland based on information provided by each individual organisation

Exhibit 10

Main costs associated with maintaining performance

Parallel running costs (including training) are included within moving costs. These are the costs incurred by running one organisation over two sites while relocation is under way.

Organisation	Parallel running costs (£000)	Percentage of total move cost
Accountant in Bankruptcy	2,131	49
Croft House Grant Scheme	15	11
Learning and Teaching Scotland	29	1*
NHS Central Register	308	67
Scottish Natural Heritage	1,580	7.5*
Scottish Public Pensions Agency	2,303	44

These estimates have been made based on evidence gathered from the individual organisations. All calculations have been carried out by Scottish Executive economists in discussion with Audit Scotland. The figures are estimates only and are not intended to be definitive. The aim of the exhibit is to draw attention to the factors that need to be considered when estimating the costs of relocation.

Note: * The percentage is lower for Learning and Teaching Scotland because the move was within Glasgow; for Scottish Natural Heritage because of the purchase of the new building.

Source: Audit Scotland based on information provided by each individual organisation

Exhibit 11

Running costs/savings

The table shows the additional annual cost or saving of running the operation at the new location. Costs include travel allowances and relocation excess fares paid to staff that relocated with the organisation. Audit Scotland requested that the organisations provide details of the additional costs, or savings accrued, at the new location. In some cases the organisations provided information relating to both the original location and the new location, while in others only the differences were provided. The level of detail also varied. Further information can be found in Appendix 4 (page 43).

Organisation	Additional costs/ (savings) achieved (£000)	Cost/savings as percentage of running cost at original location*	Reasons for costs or savings
NHS Central Register**	20***	4.9	Increase due to: <ul style="list-style-type: none"> • excess fares allowances (for five years) • in work travel expenses • increased IT/telephony costs.
Croft House Grant Scheme**	11***	–	Increase due to remote location.
Learning and Teaching Scotland	0	0	
Scottish Natural Heritage	(101)	0.2	Savings in rent, rates and service charges.
Scottish Public Pensions Agency	(137)***	2.4	Significant savings (£400k) in rental costs outweigh increases in travel and costs and five year excess fares allowances.
Accountant in Bankruptcy	(311)	5.2	Saving due to reduced rental payments but very limited information provided by organisation.

These estimates have been made based on evidence gathered from the individual organisations. All calculations have been carried out by Scottish Executive economists in discussion with Audit Scotland. The figures are estimates only and are not intended to be definitive. The aim of the exhibit is to draw attention to the factors that need to be considered when estimating the costs of relocation.

Notes: * Based on running costs in last full year prior to announcement of location.

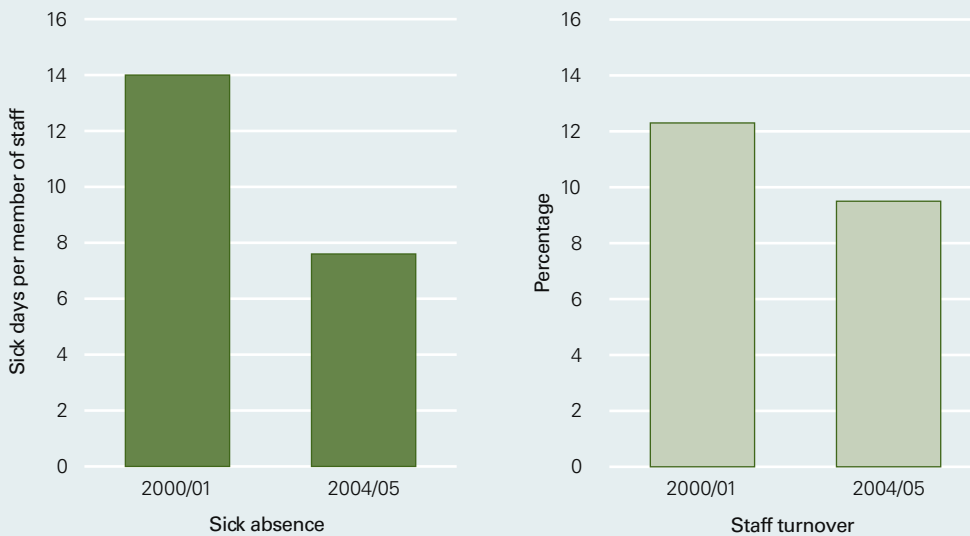
** The Executive has established a specific central budget (£1 million over two years) to assist with the costs of relocating small units.

*** An 'opportunity cost' figure has been included, to reflect estimated accommodation costs at the original location, where such costs were not otherwise available.

Source: Audit Scotland based on information provided by each individual organisation

Exhibit 12

Improvements in staff turnover and sickness absence at Scottish Public Pensions Agency since relocation



Source: SPPA/Audit Scotland

45. Organisations in Scotland are also constrained in the extent to which they can achieve efficiency savings by two further factors:

- There is no Edinburgh 'weighting' for salary costs in the capital. In London, organisations relocating to another part of the UK can save approximately 11 per cent on salary costs, all other things being equal, simply as a result of the London weighting. Given salary costs are one of the most significant expenditure items incurred by the public sector, and relocation in itself will not alter an organisation's salary bill, efficiency savings must be achieved through other measures.
- Savings in property costs can be limited because property costs usually only account for a small proportion of organisations' running costs.

46. Three of the six organisations we examined forecast savings on running costs (Exhibit 11, page 19).

In the remaining three cases, running costs are estimated to be the same or higher at the new locations.

47. We found one case where an organisation had reported an improvement in staff related performance measures post relocation. The SPPA had recorded significant improvements in sick absence levels and staff turnover – both important factors in productivity rates – since its move from Edinburgh (Exhibit 12).

The cost per job of relocation varies

48. Cost per job is a key measure of the effectiveness of a policy or programme. A cost can be calculated at either the appraisal stage to determine whether a project should go forward or the evaluation stage to determine whether cost improvements have been achieved. While traditionally used in evaluating investment and/or regeneration programmes aimed at generating jobs, the measure of cost per job can also be applied to identify the cost of relocating existing jobs.

49. Cost (or saving) per job is only one indicator and should be used in conjunction with other measures to determine the overall impact. It should be calculated based on the additional cost of relocating jobs. All additional costs, both one-off and recurring, should be forecast over the medium term (in this case 15 years) and discounted back to year one, using accepted public sector discount rates. This will provide the net present cost of the relocation and when divided by the number of jobs will give the cost per job.

50. Information to undertake cost per job calculations for all the relocations to date was not available at the outset of our audit. Prior to our examination, only one of the organisations in our sample used cost per job during their location review. Some organisations were unable to provide sufficient information to undertake any calculation but in six cases we were able to gather enough information to allow us to make a provisional estimate.

51. These estimates ([Exhibit 13, overleaf](#)) suggest that the cost per job for the six cases, where information is available, may range from a saving of some £33,000 per job to a cost of £45,000 per job.

The wider benefits of relocation

Little has been done to systematically evaluate these impacts

52. In his evidence to the Finance Committee in December 2005, the Deputy Minister for Finance, Public Service Reform and Parliamentary Business emphasised the potential for the policy to deliver socio-economic benefits.⁷

53. Measuring the socio-economic benefits delivered by relocation is not straightforward. Benefits are more likely to be measurable where the number of posts is high and/or the receiving area is small. For example, measuring the impact of 60 jobs on Glasgow (NHS NSS) is more difficult than measuring the impact of nine jobs on Tiree (Croft House Grant Scheme).

54. The Executive's relocation guide provides the following indicators for use in scoring locations for socio-economic benefits:

- Supporting fragile communities.
 - Change in working age population.
 - Population density.
- Helping areas of economic hardship and deprivation.
 - Scottish index of multiple deprivation.
 - Average weekly earnings.
 - Claimant count unemployment.
- Decentralisation and sharing the benefits of public sector employment.
 - Employment by the public sector.

55. *The Relocation Guide* does not provide guidance on how impacts should be evaluated and none of the organisations in our sample had attempted to evaluate socio-economic impact. However, there has been some limited analysis of the wider benefits delivered for individual relocations. For example, Scottish Enterprise Borders and the Scottish Borders

Council commissioned consultants to assess the impact of the SPPA's move to Galashiels. The analysis identified a range of positive and negative results attributable to the relocation but reached no overall conclusion ([Exhibit 14, page 23](#)).

The Executive plans to evaluate impact, both for individual locations/relocations and for Scotland as a whole

56. The Executive has announced that it will publish evaluation information on its relocation policy during 2006. This will focus on three areas:

- Analysis of the benefits to date – in December 2005 the Executive announced plans to evaluate relocations thus far and assess the benefits both to the individual organisations and to the wider community.
- Benchmarking of decisions to date against other accommodation decisions – this will cover an examination of occupancy levels, workspace management and running costs.
- Comparative analysis of relocation in other countries – a comparative international study, comparing the Executive's policy with those in other countries.

Exhibit 13

Audit Scotland estimates of cost per job

Assumptions and approach

- The moving costs and estimated running costs (Exhibits 9 and 11) have been run through a 15-year cash flow model by Executive economists.
- These costs have been discounted using a rate of 3.5%, to provide a net present value.
- Net present value is calculated over 15 years – assumed as the elapsed time period prior to major refurbishment work needed at new site.
- The model has been run for both a move and a non-move option.
- Redundancy payments excluded in line with Treasury guidance.
- Excess fares allowance is included for five years. Where necessary, an average annual cost was used.
- Where appropriate the opportunity cost/savings of lease deals have been included.
- The cost per job figures have been calculated by dividing the net present value by the number of jobs in the move and non-move options.
- The difference between the two cost per job figures is shown in the table (estimate column).

Further detail on all figures used in the calculations for each individual calculation is given in [Appendix 4 \(page 43\)](#).

Organisation	Cost or saving	Estimate (£000)
Scottish Public Pensions Agency	Saving	33
Accountant in Bankruptcy	Saving	5**
Learning and Teaching Scotland	Cost	1*
Croft House Grant Scheme	Cost	28
Scottish Natural Heritage	Cost	43***
NHS Central Register	Cost	45

Notes

The level of cost or saving per job is particularly sensitive to changes in staff numbers.

* This figure includes a saving made by not having to refurbish the original location and a significant discount on lease costs at the new location.

** Calculation for move option based on current staff complement of 101.

*** The figure includes a residual value for the building purchased for the relocation. The building is expected to retain its value, hence no depreciation has been applied.

Source: Audit Scotland

Exhibit 14

Summary of consultants' findings on the impact of the relocation of the Scottish Public Pensions Agency

The Agency relocated from Edinburgh to Galashiels in late 2002.

- Impact on the Scottish Borders economy:
 - £1.925 million and six full time equivalent jobs during the building construction phase.
 - Annual impact of £6.13 million and 289 full time equivalent jobs.
- All of the new staff live in the Scottish Borders, and are well distributed throughout the region.
- There was a reduction of 300 in the number of unemployment claimants.
- The delivery of jobs to an area which had suffered due to the foot and mouth outbreak.
- New staff gave the following reasons for working for the agency:
 - Secure employment (72 per cent).
 - Career progression (61 per cent).
 - Flexible working arrangements (47 per cent).
- Forty-seven per cent of new staff said they were attracted to the SPPA because it meant they would not have to leave the Scottish Borders; 12 per cent said they would have left had the jobs not been available.
- Forty per cent of staff who transferred from other parts of the Executive did so because they were attracted to the Scottish Borders and 33 per cent already lived there. More than 40 per cent of staff who previously worked with SPPA or who transferred already lived in the Scottish Borders.
- Almost 50 per cent of the staff who did not move did not do so because they enjoyed living at their current location.
- The SPPA found it relatively easy to recruit staff locally and all new staff had achieved the standard of work expected of them after their nine-month probationary period.
- Staff who moved to the Scottish Borders as part of the relocation regarded it more highly than their previous place of residence. Particular positives included pace of life, scenery and countryside, and the level of children's education.
- A number of negatives were also identified, including public transport, suitable storage space and estate agent services.

Source: *Economic Impact of the Relocation of the Scottish Public Pensions Agency*, prepared by Biggar Economics for Scottish Enterprise Borders/ Scottish Borders Council, 31 October 2003.

Part 3. How has relocation been managed?



Key messages

Triggers for relocation are not directly linked to policy objectives.

Reviews have not been approached consistently. The Executive did not have sufficient information to ensure lease break triggers were applied consistently; and organisations used different criteria and weightings to assess locations.

Criteria and/or weightings were changed late in the process and there is wide variation in the time taken to complete reviews. Part of this can be explained by the lack of a central hub for guidance in initial reviews. The Executive now provides formal guidance and centralised support to organisations, and this should promote consistency and deliver improvement.

Despite the variation in approach, reviews often led to the same locations appearing on shortlists. The reasons for choosing a particular location over others on a shortlist are not clearly articulated when a final decision is announced.

Staff are often an organisation's most important resource and we found staff were consulted and engaged throughout the relocation process.

57. This part of the report looks at how each stage in the relocation process has been handled in terms of:

- the trigger for relocation
- the relocation review
- ministerial decision on relocation.

The triggers for location reviews

The triggers are not linked directly to policy objectives

58. Relocation reviews produce greatest benefit where they identify significant improvements in business efficiency or contribute most to wider policy objectives. Reviews require significant investment and can disrupt business operations by diverting valuable management and staff time from core activities. It is therefore important that factors triggering reviews are clearly linked to relocation objectives, efficient government or best value.

59. UK relocation policy and best practice applied in the private sector base such decisions on a wider consideration of the business needs of individual organisations. Treasury guidance on relocation requires Whitehall departments to meet targets for numbers of posts

to be moved from London, and Treasury and Office of Government Commerce has provided a pre-defined list of the most deprived areas of the country. In the private sector the decision to relocate is taken following an assessment of both the employment and property needs of an organisation. *'The starting point for any office relocation exercise should involve understanding the existing people and property in addition to the business objectives behind the existing location and the decision to relocate.'*⁸

60. The Scottish Executive relies on departments to identify organisations that are subject to change in status or are considering future accommodation options. Our analysis found that only two of 38 reviews arose from potential efficiency improvements identified in organisations' business plans. A further five reviews arose from the SUI which is directly linked to wider policy objectives for developing remote and rural communities. Eleven organisations were new. The remaining 20 cases all arose from a requirement to undertake reviews because of organisational change or lease breaks. These cases were not directly linked to potential efficiencies and it was not clear whether relocation would deliver wider policy objectives (Exhibit 15, overleaf).

The Executive has lacked information to ensure the lease break trigger has been applied consistently

61. The Executive does not hold a comprehensive database of all the accommodation currently used by central government units, agencies and NDPBs. While departments are aware of the accommodation utilised by core staff, they do not hold asset registers detailing occupancy levels

and/or lease details for all functions covered by the department. Ministers have recently announced that this information will be gathered and stored centrally, but until that information is available there is a risk that the lease break trigger will not be applied consistently across all potential candidates.

The review process

62. On reaching a trigger, ministers consider whether a relocation review should be initiated. If initiated, the organisation should establish a relocation project team to analyse their business and potential locations. Early in the review, organisations should let staff know about relocation proposals and seek their views.

Initially the reviews relied on informal guidance, with no central hub for provision of that guidance

63. Until 2002, relocations were managed directly by organisations or sponsor departments. Executive teams from areas such as accommodation division and human resources provided ad hoc support but it was not formalised and there was no central coordination of activity.

64. We compiled a list of good practice from relocations across the UK (Appendix 5, page 44). This included a number of examples drawn from early activity under the Executive's policy but we found that, in many cases, guidance emerged as the relocation took shape.

Organisations used different criteria and weightings to assess locations

65. The majority of the case studies we examined followed a broadly similar process for identifying locations and for ranking locations against set criteria. We found that

the criteria adopted were largely similar in each case and, in all but two cases – Learning and Teaching Scotland (LTS) and Scottish Natural Heritage (SNH) – the Executive contributed to the selection of criteria.

66. There was significant variation in the weightings applied by the organisations (Exhibit 16, page 27):

- Organisations reviewed under the SUI use a different approach and are not included in Exhibit 16.
- LTS applied very different criteria and weightings from the others.
- Seven organisations weighted socio-economic factors at 50 per cent. One organisation did not consider them at all, while the remaining organisation weighted it at 17 per cent.
- Business efficiency ranged between 15 per cent and 20 per cent. One organisation considered this separately from the other criteria.
- Property suitability and cost varied between ten per cent and 50 per cent, though the 50 per cent applied in only one case, the range otherwise being ten per cent to 17 per cent.
- Accessibility varied between 15 per cent and 50 per cent. Again, the 50 per cent applied in only one case, the range otherwise being 15 per cent to 20 per cent.
- Costs were considered by eight of the ten after all other factors had been assessed. The remaining two considered costs at the same time as the other criteria.

Exhibit 15

Breakdown of location review triggers

Trigger	Total number of organisations	Organisations in our sample
New organisation	11	Scottish Building Standards Agency Office of the Scottish Charity Regulator
Reorganisation/change in status	9	Learning and Teaching Scotland Her Majesty's Inspectorate of Education Accountant in Bankruptcy NHS Education for Scotland
Lease expiry	11	VisitScotland Scottish Executive Inquiry Reporters Unit Scottish Public Pensions Agency Scottish Natural Heritage
SUI	5	Croft House Grant Scheme NHS Central Register
Business planning*	2	
Total	38	

Note: * Two organisations – Communities Scotland and Enterprise and Lifelong Learning Department – identified a relocation opportunity as part of their internal business planning.

Source: Audit Scotland/Scottish Executive

67. The reasons for using different weightings were not always clear.

Criteria and/or weightings were changed late in the process

68. We found that in nine of the 12 cases we examined, new or revised criteria were introduced late in the process. As a result, organisations were required to revisit proposals to accommodate factors such as:

- locations not on the initial shortlist
- different criteria for assessing sites
- multiple, rather than single, site options (or vice versa)
- co-location with other organisations.

69. The late changes reflect the absence of a clear process for relocation. While established organisations are identified for relocation based on a lease break or change in organisational status, once they are in the process of relocation, ministers may decide to utilise the move to achieve additional policy objectives.

70. A clearer, two-stage process to identify a shortlist of potential locations (stage one), which is then approved for more detailed assessment (stage two), was introduced in 2005. But ministers may still request changes to the weightings or for additional locations to be added at any time.

Staff were consulted and engaged throughout the process

71. Staff are the most valuable resource of public sector organisations. Proposals for relocation can be unpopular with staff and can have a negative effect on morale. Ensuring staff feel engaged and involved can help ensure changes are implemented smoothly and can mitigate poor morale caused by delays in the review process.

72. In 11 of the 12 cases we examined, organisations told staff about the review before a public announcement. In all cases reviewed, organisations continued to plan and manage the process well throughout the review and decision-making stages.

73. Organisations consulted staff, to assess preferences and to assess the factors likely to influence staff decisions.

74. Organisations continued to engage staff throughout the relocation process, using a variety of forms:

- Regular newsletters.
- Intranet updates and forums.
- Staff meetings.

75. Some organisations also provided support to those moving, in the form of information packs about the new location, and to those who chose not to move, in the form of re-training and assistance with finding alternative posts or employment.

The Executive now provides formal guidance and centralised support to organisations selected for review

76. In 2002, the Executive established a relocation policy team but the resources available were limited and

Exhibit 16

Variation in criteria and weightings

Organisation	Review announced/ confirmed	Socio-economic factors (%)	Business efficiency (staff retention) (%)	Property suitability and cost (%)	Access to labour (%)	Access to stakeholders (%)	Cost
Accountant in Bankruptcy	December 2002	50	20	10	20	20	After
Her Majesty's Inspectorate of Education	November 2001	50	20	15	15	15	After
Learning and Teaching Scotland	May 2001	Selected own criteria – not broadly comparable					11.9%
NHS Education for Scotland	December 2002	50	16	14	20	20	After
Office of the Scottish Charity Regulator	December 2002	50	20	15	15	15	After
Scottish Building Standards Agency	December 2003	50	20	15	15	15	After
Scottish Executive Inquiry Reporters Unit	July 2003	50	15	15	20	20	After
Scottish Natural Heritage	November 2001	–	Second	50	50	–	Third
Scottish Public Pensions Agency	July 2000	17	17	17	17	–	33%
VisitScotland	December 2002	50	20	15	15	15	After
<i>The Relocation Guide</i>	June 2005	50	50				

The following cases were not among our case studies but are recent reviews, included for illustrative purposes.

Registers of Scotland	50	30	10	10	10	10	After
VesCo	50	12.5	–	–	37.5	37.5	After

the team was strengthened in late 2004. In 2006, the team comprised six members of staff. A formal relocation guide, defining the stages in the decision making process in more detail and providing instructions on weightings to be applied to review criteria, was published in June 2005 (Exhibit 17). The Executive's relocation guide now clearly states that socio-economic factors are to be given a weighting of 50 per cent in all cases.

77. *The Relocation Guide* does not specify the sub-criteria to be used to assess the impact moving to potential locations will have on organisational efficiency and effectiveness. However, in most cases, the issues that will require consideration are likely to be the same:

- Staff retention – a significant loss of staff because existing staff choose not to relocate to a particular location is likely to cause difficulties for the organisation in delivering its business.
- Accessibility and transport – good transport links should increase the catchment area for potential staff and make it easier for staff, customers and stakeholders to reach the organisation.
- Property suitability and cost – the main variable here will be staffing. Unless the organisation has very specific building needs it is likely that the type of accommodation required will be broadly similar. In all of the cases in our sample the type of accommodation required was standard office accommodation.

78. Further, a particular location should score similarly against these criteria in every review. For example, unless an organisation's customer or

stakeholder base is clustered in one particular area, a location near a large transport hub is likely to score well for accessibility. Given that most organisations covered by the policy provide services for the benefit of the whole of Scotland, it is likely that variation would occur in only a few cases.

The decision stage

79. In Scotland, the portfolio minister makes the final decision on location. In the rest of the UK, the decision is taken by the organisation.

80. The Scottish approach can lead to conflict between decisions and an accountable officer's responsibilities for best value from an organisation's resources. Where an accountable officer considers that a decision taken by the minister is not supported by clear evidence that it will deliver value for money, the accountable officer may request a written instruction from the minister to implement the decision. The accountable officer for SNH requested a direction from the SNH Board, which in turn made a request to the minister in relation to the decision to relocate from Edinburgh to Inverness.

The reasons for choosing a particular location are not clearly articulated when the decision is announced

81. Ministers consider the shortlist derived from the review process. In most cases the organisation ranks the options by the wider criteria or cost, or a combination of both. However, locations ranked top are not always those selected by ministers (Exhibit 18, page 30).

82. In making their decision, ministers may consider not only the individual scores awarded to

locations but also external factors which might be relevant. This could include whether a particular location has suffered significant redundancies or another set-back where ministers consider public sector jobs may be of benefit. For example, in the case of SPPA, ministers considered the impact in the Borders of foot and mouth disease in reaching their decision on Galashiels as the location for the organisation.

83. In other cases, the reasons for not choosing a highly ranked location were not clear. For example, in the case of SNH, Inverness was chosen by ministers, despite being ranked lowest of the five locations on the final shortlist (Appendix 3, page 38).

84. For all of the cases in our study, the reasons for choosing the final location over the others in the shortlist were not clearly articulated. In its response to the Finance Committee's report on relocation, the Executive indicated that, in future, it would issue statements highlighting the main reasons behind decisions. Decisions on four of the 12 reviews in our sample were announced after the Executive's response to the Finance Committee.

Some locations have featured regularly on shortlists

85. We discussed previously, in paragraph 78, the likelihood of individual locations scoring similarly against the Executive's criteria. We found that some locations appeared regularly in the shortlists considered by ministers (Exhibit 19, page 31). Nine local authority areas featured in at least half of the shortlists provided to ministers in the cases we examined. Conversely, ten local authority areas did not feature on any shortlist, although locations

Exhibit 17

The location review process as described in *The Relocation Guide*

The Relocation Guide indicates that the review should be undertaken in two stages.

Stage one

Organisations begin with a longlist of potential locations. No locations are ruled out. The guide sets out both the criteria and the associated weightings organisations should use to assess each of the locations on the longlist.

Weightings are split equally between efficiency and effectiveness and socio-economic factors. Details are set out in the table below:

Core criteria	Sub criteria	Weight (%)	Explanation
Efficiency and effectiveness	Staff retention	50	The sub-criteria are those suggested in the guide. However, the guide does not specify the sub-criteria to be used. Organisations are encouraged to discuss proposed sub-criteria and weightings with the relocation team.
	Access to labour		
	Access to stakeholders		
	Property suitability and cost		
	Other		
Socio-economic factors	Supporting fragile communities	12.5	Made up of two equally weighted indicators: <ul style="list-style-type: none"> Change in working population. Population density.
	Helping areas of economic hardship and deprivation	25	Made up of three equally weighted indicators: <ul style="list-style-type: none"> Scottish index of multiple deprivation. Average weekly earnings. Claimant count unemployment.
	Decentralisation and sharing the benefits of public sector employment	12.5	Made up of one indicator: <ul style="list-style-type: none"> Employment by the public sector.

Ranking the locations should then make it possible to identify a shortlist of around six or seven potential locations that might be suitable for more detailed consideration. This shortlist is then submitted to the minister for approval.

At this point, it is possible for the minister to add or remove locations from the shortlist. The minister will normally consult with the relocation ministers* before approving the shortlist.

Stage two

The organisation is required to examine each of the shortlisted locations in greater detail. At this stage the organisation should look at available properties and should complete a full economic appraisal for each of the options. Such an appraisal is completed in accordance with the Treasury Green Book and estimates the whole-life cost of each option.

This assessment is then submitted to the minister, who will make the final choice.

Note: * Relocation ministers – a group of ministers who are consulted on each review. This group currently consists of: First Minister, Minister for Parliamentary Business, Minister for Finance and Public Sector Reform, Deputy Minister for Finance, Public Sector Reform and Parliamentary Business and Minister for Environment and Rural Development. The relevant portfolio minister makes the final decision.

Source: Audit Scotland/Scottish Executive

Exhibit 18

Locations chosen compared with review rankings

Organisation	Original location	Review – highly ranked locations	Ministerial announcement
Accountant in Bankruptcy	Edinburgh	Edinburgh, Stirling or Ayrshire	Ayrshire
Croft House Grant Scheme	Edinburgh	Regional offices	Tiree
Her Majesty's Inspectorate of Education	Edinburgh	Livingston or Falkirk	Livingston
Learning and Teaching Scotland	Glasgow/Dundee	Glasgow	Glasgow and Dundee
NHS Central Register	Edinburgh	Edinburgh	Dumfries
NHS Education for Scotland	Edinburgh	Glasgow	Glasgow
Office of the Scottish Charity Regulator	N/A	Dundee	Dundee
Scottish Building Standards Agency	Edinburgh*	Glasgow or Livingston	Livingston
SE Inquiry Reporters' Unit	Edinburgh	Falkirk	Falkirk
Scottish Natural Heritage	Edinburgh	West Lothian, Stirling or Perth	Inverness and Edinburgh
Scottish Public Pensions Agency	Edinburgh	Rosyth or Galashiels	Galashiels
VisitScotland	Edinburgh	Edinburgh or West Lothian	Edinburgh

Note: *Although a new organisation, some functions transferred.

Source: Audit Scotland

Exhibit 19

Locations appearing regularly on case study location review shortlists

Location	Appearances on shortlist	Number of relocations
Dundee	9	2
Glasgow	8	2
Fife	7	0
Lanarkshire*	7	0
West Lothian	6	2
Stirling	6	0
Falkirk	6	1
Ayrshire**	6	1
Edinburgh	6	1
Total		9***
Areas not included on any case study shortlists		
• Angus	• Eilean Siar (SUI)	
• Argyll & Bute (SUI)	• Moray (SUI)	
• East Dunbartonshire	• Orkney Islands (SUI)	
• East Lothian	• Renfrewshire	
• East Renfrewshire	• Shetland Islands (SUI)	

Notes: * Six of the seven were in North Lanarkshire.

** Five of the six were in North Ayrshire.

*** The two organisations which fell under the SUI are not included as the same criteria do not apply. Two of the remaining ten organisations in our sample were at other locations. LTS was a split site location between Glasgow and Dundee.

Source: Audit Scotland/individual organisations

Exhibit 20

Time taken from announcement of review until decision on location announced



Source: Audit Scotland

within five of these local authority areas feature on the list of potential locations to be considered for any review under the SU1.

We found wide variation in the time taken to complete reviews

86. Long timescales and uncertainties about the review process can affect staff morale. This can have an adverse effect on performance.

87. We found wide variation in the time taken from announcement of the review until the announcement of the decision on geographical location (Exhibit 20). The average time taken was 17 months; the shortest six months (Scottish Building Standards Agency and Office of the Scottish Charity Regulator); and the longest 34 months (LTS). Details of the reasons for the long timescale in the case of LTS are set out in Appendix 3, page 39.

88. The times for other location reviews could only be established where the date of both announcement and decision could be identified. Overall, we could establish the

relevant dates for only 21 of the 31 reviews to date. The average time taken was 17 months; the shortest six months; and the longest 65 months.

89. A further seven organisations are currently undergoing reviews. The date on which the review was announced is available for only four. The average elapsed time to date for these four is 50 months. However, decisions for three of the four have been deferred. The other has taken 66 months to date.

90. We found that the review process took less time for new organisations than for existing organisations. In our sample, the two organisations with the shortest elapsed time were both new organisations. Overall, for those organisations where we could establish both dates, we found the average time taken to reach a decision for a new organisation was nine months. For existing organisations, the average time taken was 21 months.

Part 4: The way ahead



91. The Executive's commitment to dispersal to improve efficiency and assist wider policy objectives for economic development and social inclusion is clear. Our report shows that implementation of the policy to date has lacked clear focus on these objectives which in turn has produced inconsistency and a lack of transparency in results. Important changes in the way relocation is administered, such as the establishment of a central unit to coordinate activity and the publication of *The Relocation Guide* should improve future performance but a number of key lessons have still to be learned. To aid that process, in this part of the report we set out a number of recommendations for the Executive, under the following broad headings:

- strategic approach
- assessing costs and benefits
- relocation practice.

UK relocation policy and practice

92. At various points in the report we have included comparisons with the UK approach to relocation. The UK policy covers UK government departments and their executive agencies and there is a target to achieve dispersal of 20,000 jobs from London and the South East to other parts of the UK by 2010. Relocation is a workstream of the Efficiency Programme and is led by the Office of Government Commerce. Departments identify units and agencies for relocation and guidance is provided to those asked to consider relocation. The most recent guidance identifies geographical areas to which posts should be dispersed. The areas have been selected on the basis of levels of deprivation. Once the relocation review has been completed, the final decision on location is taken by the accountable officer of the organisation being relocated.

93. Some of our recommendations have been influenced by the UK approach and we recommend the Executive consider how good practice in the UK could be disseminated or incorporated.

Strategic approach

94. In considering its strategic approach to relocation, the Executive should:

- consider how individual relocations can affect the wider public sector, such as local authorities and local enterprise companies, and other public sector organisations through lost staff and recruitment costs
- compile a database of suitable locations and properties and consider prioritising locations.

Assessing costs and benefits

95. The Executive could do more to assess the costs and benefits of both individual relocations and as a whole. It should:

- improve its approach to gathering cost information before, during and after relocation
- develop its plans for monitoring and evaluating, and publish regular progress and evaluation reports
- calculate a cost per job figure for each relocation, at both the appraisal and evaluation stage
- identify the efficiency gains arising from each relocation
- do more to evaluate the wider benefits arising from relocation and should engage key stakeholders, such as local authorities and local enterprise companies, to do so
- ensure the measures of success for both individual relocations and for relocation overall are clearly defined
- engage effectively with relocating organisations to ensure the individual organisations are clear about what is expected of them in relation to evaluation.

Relocation practice

96. The Executive should consider reviewing the practice and processes for relocation reviews. In doing so it should:

- consider whether there is scope to share experiences and good practice more systematically
- provide clear guidance at the outset of each review. Changes should be made only where the reasons for doing so are clear
- ensure that candidates for relocation are identified on a consistent basis
- consider setting the sub-criteria and weightings for individual relocations. In doing so it should be clear about the reasons for variations
- specify whether organisations should identify local authority areas or towns and cities at each stage of the review process
- ensure organisations engage staff from the outset and that they provide all staff with information and support throughout the relocation process

- ensure organisations establish a project team with the necessary skills and knowledge to implement the location or relocation
- ensure organisations plan carefully, identifying risks and mitigating actions
- ensure reviews are completed in a reasonable timescale to minimise the potential adverse effect on staff and performance
- improve transparency by ensuring the reasons for choosing a particular location over others on the shortlist are clearly articulated at the time of the announcement. The reasons should be linked clearly to the objective to which the location is expected to contribute
- ensure any additional locations or changes to weightings are specified at the earliest juncture, and certainly before any full economic or financial appraisal takes place.

Appendix 1. Advisory group members

James McCulloch	Scottish Executive Inquiry Reporters Unit
Stan Ure	Dundee City Council
Angus McIntosh	King Sturge
Tony Fitzpatrick	Dumfries & Galloway Council
Keith Jenkinson	Accountant in Bankruptcy/Scottish Executive
Archie McCreevy	Highlands & Islands Enterprise
Charlie Fisher	Scottish Executive
Owen McCabe	Halifax/Bank of Scotland

Appendix 2. Summary of key findings

	Organisation	Scottish Public Pensions Agency	Learning and Teaching Scotland	Her Majesty's Inspectorate of Education	Scottish Natural Heritage	SEERAD Croft House Grant Scheme
Locations	Original location	Edinburgh	Glasgow/Dundee	Edinburgh	Edinburgh	Edinburgh
	Final location	Galashiels	Glasgow/Dundee	Livingston	Inverness/Edinburgh	Tiree
	Others	n/a	n/a	various	various	n/a
Key Milestones	Date of announcement of relocation review	July 2000	May 2001	November 2001	November 2001	October 2002
	Geographical location announced	July 2001	May 2005	November 2003	March 2003	November 2004
	Relocation completed	September 2002	February 2006	December 2004	May 2006	July 2005
Costs	Set up costs	£5,192,884	£3,212,881		£21,070,000	£134,213
	Running costs	Saving £137,238	£nil		Saving £101,000	£11,405
Benefits	Direct					
	Indirect					
Posts & people transferred	Posts reviewed at original location	194	n/a	60	245	8.5
	Current staffing	220	n/a	111	250	9
	Staff transferred	33	n/a	63	110	0

NHS Education for Scotland	Scottish Executive Inquiry Reporters Unit	VisitScotland	Accountant in Bankruptcy	NHS Central Register	Scottish Building Standards Agency	Office of the Scottish Charity Regulator
Edinburgh	Edinburgh	Edinburgh	Edinburgh	Edinburgh	Edinburgh	n/a
Glasgow	Falkirk	Edinburgh	Kilwinning	Dumfries	Livingston	Dundee
various	n/a	various	n/a	n/a	n/a	n/a
December 2002	December 2002	December 2002	December 2002	March 2003	December 2003	December 2002
June 2005	July 2003	December 2003	December 2003	November 2004	June 2004	June 2003
Not moved	March 2004	n/a	Ongoing	Ongoing	February 2005	December 2003
			£4,388,206	£457,000		
			Saving £311,429	£20,000		
		Regeneration		Regional development		
n/a	26	n/a	92	16	21	2
n/a	22	n/a	110.5	16	29	34
n/a	6	n/a	2	1	17	2

Appendix 3. Case study narratives

Accountant in Bankruptcy (AiB)

The AiB is an Executive agency of the Scottish Executive Justice Department. The Accountant is the chief executive, and the agency operates independently and impartially while remaining directly accountable to the Scottish ministers. The Accountant is responsible for administering the process of personal bankruptcy (sequestration), recording corporate insolvencies and acting as administrator for the Debt Arrangement Scheme in Scotland. The staff are all civil servants within the Scottish Executive.

The AiB was considered for review because it underwent a change in status to an executive agency in April 2002. The organisation continues to undertake all of the same work it did before, plus introduced the Debt Arrangement Scheme in November 2004, and will shortly take on additional work as a result of new legislation soon to come into force.

The organisation was located in Edinburgh at the time the review was announced, in December 2002. The organisation engaged consultants to assist with the review. In December 2003, Ayrshire was announced as the new location. In March 2006, the organisation was operating more or less fully from its final Kilwinning location. The review ranked Ayrshire second in terms of cost but eighth against the combined other criteria.

The organisation employed 92 staff at its previous location. Only two staff moved with the organisation to the new location. AiB currently employs 132 staff, 31 of whom are either employed on a temporary basis or are involved in parallel running. Staff are split between the new office and accommodation in Edinburgh. The organisation employed

parallel running to mitigate risks to business delivery. Although AiB has not been operating at its new location for very long, there is no evidence of any negative impact on performance as a result of the review or relocation.

Key points:

- The organisation experienced some pressure from local authorities and other organisations during the review process, where the organisations were bidding for the organisation to locate in their area.
- Some delay was caused by the fairness of the review process being challenged – the minister sought clarification of the process followed.
- The organisation felt it could have benefited from a 'mentor' or being part of a forum of people who had gone through relocation.

Croft House Grant Scheme (CHGS)

The Crofters (Scotland) Act 1993, allows the Scottish ministers to provide grants and loans to crofters and cottars towards the erection, improvement or rebuilding of dwelling houses in the former crofting counties of Argyll, Inverness, Ross & Cromarty, Sutherland, Caithness, Orkney and Shetland.

The unit administering the scheme, based in Edinburgh and consisting of eight-and-a-half full time equivalent staff, was formally identified for review in October 2002, under the recently announced SUI. Highlands & Islands Enterprise had previously approached the Scottish ministers about relocating the unit and ministers began considering the possibility of relocation as early as March 2002.

The location review was run alongside a consultation on a review of the provisions of the scheme. The location review was handled primarily by Highlands & Islands Enterprise. Stakeholders were consulted on the possibility of relocating the unit and the majority were in favour of the unit's work being delivered from existing area offices, spread throughout the Highlands & Islands. This proposal appeared to meet with ministerial approval initially but, in March 2004, ministers asked the unit to reconsider options, particularly the possibility of moving the unit to a single location. The final decision, to relocate the unit to Tiree, was announced in November 2004. The unit relocated in July 2005.

Key points:

- The unit was considered for relocation before the SUI had been developed.
- Ministers initially agreed the dispersed approach but very late in the process decided that a single location would bring greater direct benefit.

Her Majesty's Inspectorate of Education (HMIE)

The principal activity of HMIE is to promote sustainable improvements in Scottish education. HMIE does this through independent inspections and reviews of schools and other educational establishments, community learning and the education functions of local councils.

The organisation was initially located in several locations throughout Scotland, including in Executive offices in Edinburgh. It was considered for a location review when it underwent a change in status to an Executive agency in April 2001. The review was formally

announced in November 2001 but would focus only on certain Edinburgh-based posts: senior management, central functions and inspection posts with a national remit. The organisation did not commence with the review until September 2002. Ministers approved the shortlist but asked that Lanarkshire also be considered on the basis of socio-economic factors. Initially the review ranked Saughton House (an Executive building in the south west of Edinburgh) first but this was not acceptable to ministers. The review ultimately ranked Falkirk first. However, the organisation was made aware by the Executive that another organisation undertaking a location review had also ranked Falkirk first and suggested Livingston as a suitable alternative. In November 2003, ministers announced Livingston as the chosen location and the relocation was broadly complete in December 2004.

Staffing details:

- The organisation employed 173 permanent staff prior to its move. Seventy-four posts were based outside Edinburgh. Of the 99 Edinburgh posts, only 60 were considered formally under the review as the remainder had their inspection function centred on Edinburgh and adjoining areas.
- Overall staffing increased as a result of additional responsibilities allocated by ministers, and the relocation exercise was carried out in the context of a restructuring exercise (this was not undertaken as a result of the relocation). These factors complicate reporting on the HMIE relocation exercise because it was, in effect, carried out as one element of a wider accommodation exercise involving a number of offices around Scotland. By May 2006, there were 111 permanent staff

based at Livingston. A further 23 seconded and part-time staff had Livingston as their home base, spending varying amounts of time there.

- Sixty-three existing staff moved with the organisation. Some staff with a remit for inspections in the local area remained in Edinburgh and some posts were also moved to Dunbartonshire. The number of posts in Dundee increased with the opening of a new office there. Moves to Ayrshire were agreed but have not yet been implemented.

The organisation did not employ parallel running, instead it drew on its own staff in other office locations to provide temporary cover where needed. There is no evidence of any negative impact on performance.

A distinctive feature of HMIE's relocation exercise derived from growth in organisational numbers while the relocation exercise was ongoing. It was not possible to accommodate the increased numbers in existing accommodation while new offices were being prepared and opened. Accordingly, HMIE incurred additional costs through taking on temporary accommodation in both Livingston and Dundee over the relevant period.

Key point:

- Although the organisation suggested that the score for cost and other criteria would be similar for Livingston and Falkirk, Livingston was not subjected to formal assessment.

Learning and Teaching Scotland (LTS)

LTS is the lead organisation for the development and support of the Scottish curriculum. It works with the Scottish Executive and education

authorities to take forward the national education improvement agenda. The organisation formed when the functions of the Scottish Consultative Council on the Curriculum and the Scottish Council for Educational Technology were brought together in July 2000.

The review was not formally announced but the Executive sponsor team indicated to the organisation during 2000 that it should consider relocation. The trigger for the review was the merger/major reorganisation. The review proper commenced in May 2001, following a request from the Executive. The initial review, undertaken with the assistance of consultants and submitted to ministers in October 2002, identified the best option as being co-location of all existing staff (then split between Glasgow and Dundee) in a single office in Glasgow. The review was brought fully within the scope of the policy in September 2003, when ministers requested that the organisation reconsider the options. Despite not ruling out a single site location, the minister did emphasise that moving jobs into the central belt would be difficult to justify in terms of the policy, effectively ruling out the co-location in Glasgow option. The final decision was made in March 2004, being a split location between Glasgow and Dundee, but with the organisation moving to a new office within Glasgow. A public announcement was made in May 2005, including that the organisation would co-locate with the Scottish Qualifications Authority. The organisation was operating from its new office from February 2006.

In 2002, the organisation employed 162 staff at the original Glasgow office. There are 172 staff employed at the new location. All existing staff moved with the organisation. The organisation was unable to

provide evidence on performance but considers that that performance was maintained during the relocation process.

Key points:

- The organisation's existing Glasgow office was not fit for purpose (primarily a result of it being an old building in need of major refurbishment) and a move to another building was likely even had there not been an Executive policy on relocation.
- The organisation was not told at the outset that moving all staff to Glasgow would be difficult to justify.
- The Scottish Qualifications Authority (SQA) shares the new building in Glasgow.

NHS Central Register (NHS CR)

The Register is an electronic database of all people born in Scotland and those registered with a National Health Service general medical practitioner in Scotland. Its main purpose is to permit the efficient movement of patients' medical record envelopes as they transfer between health boards, leave the country, join the Armed Forces (or are dependants of Armed Forces personnel). It also records all deaths occurring in Scotland. Staff are responsible for maintaining the register and, although they are employed by the General Register Office for Scotland, staff carry out work on behalf of the Scottish Executive Health Department.

The unit was identified under the SUI, and the review was announced in March 2003. The initial review, submitted to ministers in September 2004, suggested either deferring the decision (because the future role of

the unit was unclear at that time) or staying in Edinburgh. However, ministers did not consider deferment appropriate and announced Dumfries as the new location in November 2004. The unit opened in temporary accommodation in Dumfries in June 2005 and, following a period of parallel running, the Edinburgh office closed in March 2006. The move to the permanent premises in Dumfries is scheduled for April 2007.

The unit employed 16 full-time equivalent staff both before and after the move. Only the head of the unit moved with the organisation. The unit employed parallel running during the relocation process and performance was maintained.

Key point:

- Dumfries was chosen for its links with NHS clients; it did not feature on the list of suggested locations for small unit moves.

NHS Education for Scotland (NES)

NES is a special health board, established to provide better patient care by designing, commissioning, quality assuring and, where appropriate, providing education, training and lifelong learning for the NHS workforce in Scotland. The organisation was created to merge the work of three predecessor organisations and staff are employed at a variety of locations around Scotland.

The merger led to the organisation being considered for a location review. Ministers announced the review in December 2002. The organisation engaged consultants to assist with the review. In November 2003, NES submitted its review report to ministers, identifying dispersal to existing regional offices as the best option. Ministers

requested that another NHS agency, National Services Scotland (NSS) carry out another location review, looking at co-location options in Glasgow only. The NSS report was submitted to ministers in June 2004. While the final building for relocation has not yet been announced, in June 2005, ministers announced that the organisation would relocate to Glasgow, and was likely to be co-located with another special health board.

As at May 2006, the organisation employed around 440 staff, spread around the country. Only 106 were included in the initial review but the organisation currently estimates that around 150 posts will be relocated. The organisation has not yet moved. The current estimate for the relocation is September 2008.

Key point:

- Two reviews were conducted – it is not clear why co-location was not considered from the outset.

Office of the Scottish Charity Regulator (OSCR)

The OSCR came into existence as an Executive agency in December 2003. The OSCR is the independent regulator and registrar for 19,000 Scottish Charities. In February 2006, it became a non-ministerial department and forms part of the Scottish Administration.

The creation of a new organisation is one of the triggers for a location review. The creation of the organisation, and the associated location review, were announced in December 2002. The review was carried out by the Charity Law Team, within the Scottish Executive's Development Department. The review report was submitted to ministers in May 2003 and ranked

Dundee first. Ministers announced Dundee as the location in June 2003 and the organisation began operating at its new location in December 2003.

Some functions previously undertaken by the Executive were carried over to the new organisation and two staff moved to the new organisation.

Scottish Building Standards Agency (SBSA)

The SBSA is an Executive agency of the Scottish Executive, and established to undertake the national functions related to the building standards system which came into effect in May 2005. The agency is responsible for taking forward the requirements of the Building (Scotland) Act 2003, which protects the public interest in matters relating to the design, construction, conversion and demolition of buildings. Some of the functions of the agency were previously carried out by Executive staff based in Edinburgh.

The creation of a new organisation is one of the triggers for a location review and the review was announced in December 2003. The organisation employed consultants to assist with the review and the initial review report was submitted to ministers in February 2004. The report ranked Glasgow first. Ministers subsequently requested that Dumfries and some peripheral areas also be considered. The final submission ranked Livingston first. Ministers announced Livingston as the chosen location in June 2004. Although the organisation was established in June 2004, it did not begin operating in Livingston until February 2005.

Twenty-one staff were employed in Edinburgh prior to relocation to Livingston. Nineteen of these staff relocated to the new location. Thirteen new staff have been

recruited since the move and a total of three staff have left. The additional work required to support the new building standards system mean that staffing is likely to increase (current estimates are that 44 staff will be employed by the organisation by the end of 2007).

Scottish Executive Inquiry Reporters Unit (SE IRU)

The unit is part of the Scottish Executive and is responsible for dealing with planning and related appeals in Scotland. A Reporter appointed by the Scottish ministers decides most appeals.

The unit was identified due to a future lease expiry at its Edinburgh office. The review was announced in December 2002. The unit employed 26 staff at its Edinburgh office at the time of the announcement.

The organisation engaged consultants to assist with the review and the initial submission to ministers, in June 2003, identified a shortlist of potential locations which ranked Glasgow first. Ministers requested that North Lanarkshire be added due to its socio-economic profile. The final submission ranked Edinburgh and Falkirk equal first. Edinburgh because it was the most cost-effective option that would meet the sustainability and accessibility criteria and Falkirk as the lowest cost option overall. Ministers selected Falkirk.

Twenty-two staff are employed at the new location, only six of whom transferred from the original location. Performance was maintained during the move and there has been some improvement, though this was as a result of new working methods being used. This, and a restructuring of the administration team, has resulted in a reduction of staff from 26 to 22 since relocation.

Scottish Natural Heritage (SNH)

SNH is a non-departmental public body, responsible for securing the conservation and enhancement of Scotland's natural heritage – the wildlife, the habitats and the landscapes which have evolved in Scotland. Its work also includes access, education, landscape, casework, renewables and greenspace. The organisation employs around 750 staff at a variety of locations throughout Scotland.

The organisation was identified for review as a result of an upcoming lease expiry at one of its two Edinburgh offices. The review was announced in November 2001. The review focused on the Edinburgh offices only, where 268 staff were employed when the review was announced.

The organisation submitted its review report to ministers in October 2002. The review ranked West Lothian, Stirling or Perth as the best options, if Edinburgh was not acceptable. The SNH Board rejected the Inverness option on grounds relating to its 'position in the SNH office network, distance from key partners and the proportion of staff that would leave'. Further work was requested by ministers and this was coordinated by the sponsor department. The organisation was not given the opportunity to comment on the cost figures upon which ministers based their final decision and disputes the rationale behind some of the assumptions. In March 2003, ministers announced Inverness as the chosen location. When the final decision was announced, the organisation, at both board and chief executive level, sought a ministerial direction to go ahead with the move, expressing their concerns that the move did not represent value for money.

The organisation began operating at its new office in Inverness in May 2006. The building has the capacity to accommodate a maximum of 293 people. At present SNH has 225 posts based in the new office. Fifty-five staff previously based in Edinburgh have moved or will move to Inverness. SNH staff from other locations, including staff previously based in Inverness, and new recruits make up the remainder. While the organisation has only recently relocated, there is no evidence of any adverse effect on performance as a result of the relocation process.

Key points:

- Seventy per cent of staff were located outside Edinburgh at the time the review was announced.
- The organisation will continue to operate at the office where the lease expiry triggered the review.
- The organisation did not consider Inverness to be a viable option in terms of value for money.
- Of the new staff in Inverness, 66 transferred from other SNH offices throughout Scotland.

Scottish Public Pensions Agency (SPPA)

The SPPA is an Executive agency of the Scottish Executive. The agency administers and regulates the NHS and teachers' pension schemes in Scotland, and other occupational pension schemes for which the Scottish ministers are responsible. It also regulates the local government, police and fire pension schemes administered by Scottish local authorities. The organisation employs around 220 staff.

The organisation was identified for review due to an upcoming lease break at its Edinburgh office. The review was announced in July 2000. The initial report was submitted to ministers in April 2001 and recommended either Rosyth or Galashiels. Ministers queried some aspects of the review, including the weightings used, and further work was undertaken. The final submission ranked Galashiels first and it was the location subsequently selected by ministers. The relocation was completed in September 2002.

The organisation employed 194 staff at the original location and 33 staff transferred to the Galashiels office. The organisation took on additional work at the same time as the move and current staffing is 220. Some adjustments had to be made to performance measures but there is no evidence of any long-term drop in performance. The organisation has also experienced improvements in both staff turnover and staff sick absence levels.

Key points:

- The organisation was unable to provide detailed evidence in relation to several aspects of the review, primarily due to the elapsed time since the events.
- There have been improvements in staff turnover and sick absence levels.

VisitScotland

VisitScotland is a non-departmental public body and is the principal agency for the promotion and development of Scotland's tourism industry. The organisation has around 1,000 staff who are employed at a variety of locations throughout Scotland.

The organisation's Edinburgh headquarters, where 125 staff were based, was identified for review as a result of an upcoming lease expiry. The organisation engaged consultants to assist with the review and the initial review report was submitted to ministers in August 2003. Glasgow topped a scored matrix of local authority areas at this stage. Ministers requested that North Lanarkshire and Inverclyde be added to the shortlist, and VisitScotland added Inverness. The final report ranked West Lothian first (the lowest cost option) but the organisation argued that relocating while also restructuring the Area Tourist Board network would have a significant negative impact on tourism and the economy. It suggested that the difference between it and a new Edinburgh location was small (£1.7 million over 15 years) and recommended relocating within Edinburgh. Ministers selected the regeneration area of North Edinburgh as the location. The relocation was completed in Spring 2005.

All of the staff moved with the organisation and performance was maintained during the move.

Key points:

- The organisation's existing accommodation in Edinburgh was to be sold on by the landlord for residential use.
- The impact on the organisation's ability to deliver its services was the key factor in it not relocating away from Edinburgh.

Appendix 4. Cost per job calculations

The inputs to the calculations for cost per job for six of our case studies are given below. The figures (set-up costs and running costs) form the basis of Exhibits 9, 10, 11 and 13 in this report. The job figures used in the calculations are based on current staff complement. Our cost per job model has been run over a 15-year period.

Case study specific assumptions						
Categories	Accountant in Bankruptcy (£)	Croft House Grant Scheme (£)	Learning and Teaching Scotland (£)	NHS Central Register (£)	Scottish Natural Heritage (£)	Scottish Public Pensions Agency (£)
Set up costs						
Fitting out works	827,317	23,946	1,146,341	9,000	1,720,000	2,058,358
Furniture	60,488	11,860	432,829	31,000	800,000	-
Training/parallel running	2,130,697	15,366	29,268	308,000	1,580,000	2,302,898
Consultancy	130,732	-	-	-	-	-
Removal	49,942	2,887	19,512	2,000	130,000	136,069
Recruitment	33,914	4,390	-	37,000	950,000	150,445
Relocation	368,653	64,586	-	-	4,370,000	402,507
IT Capital and Telecoms	367,951	11,079	1,438,588	70,000	490,000	77,907
Expenses	418,512	98	146,341	-	11,030,000 ¹	64,701
Total	4,388,206	134,213	3,212,881	457,000	21,070,000	5,192,884
Running costs (additional)						
Rent, rates, utilities and service charge	(311,429)	-	-	1,000	(121,000)	(400,000)
Other costs	-	3,707	-	-	-	12,140
Maintenance/services	-	-	-	(3,000)	-	-
Security	-	-	-	(3,000)	-	-
Cleaning, maintenance	-	-	-	(9,000)	-	-
IT support and IT line rental	-	98	-	9,000	-	-
Staff	-	4,976	-	8,000	-	7,700
Travel	-	2,624	-	17,000	-	150,000
Excess fares ²	-	-	-	-	20,000	92,922
Total	(311,429)	11,405	0	20,000	(101,000)	(137,238)
Additional cost /(saving) per job	(5,381)	27,897	475³	44,630	43,160	(32,731)

Notes: Audit Scotland and the Executive worked together to ensure that as far as possible, cost categories are consistent and comparable. However, as previously stated, these estimates are provisional and the model has been developed to provide an indication of cost per job, rather than a definitive answer. Some figures have been rounded. Savings are shown in brackets.

1 This reflects the cost of the new building in Inverness.

2 Applies for a maximum of five years.

3 The calculation includes an off-setting amount for the cost of refurbishment had the organisation remained at its original location.

Appendix 5. Good practice in relocation

Sources of guidance and good practice		
Source	Date	Description/content
King Sturge report – <i>Comparative Assessment of Locations</i>	December 2003	<p>This work was commissioned for Sir Michael Lyons' Independent Review of Public Sector Relocation (the Lyons' Review – see below).</p> <p>The report aimed to provide an objective high-level assessment of the relative merits of alternative locations for public sector activity. In essence, 102 UK areas were assessed against a range of factors, including population, employment and unemployment, built office stock and prime office rents.</p>
Experian report – <i>The Impact of Relocation</i>	January 2004	<p>This work also was commissioned for the Lyons' Review – see below.</p> <p>The report was split broadly into two parts. Part one focused on lessons from past relocations; part two on the economic impact of relocating Government functions from London and the South East to other parts of the UK.</p>
Lyons' Review	March 2004	<p>Sir Michael Lyons was asked to advise UK ministers on the relocation of public servants out of London and the South East of England. The review was prompted by a renewed Government commitment to realising the efficiency and regional benefits of dispersal.</p>
King Sturge report – <i>A Generic Guide to Office Relocation Strategy for Audit Scotland</i>	April 2005	<p>The report examined the main reasons for private sector organisations relocating and the factors they consider when relocating. The report also considered the differences between the public and private sector in relation to these factors.</p> <p>Audit Scotland shared this document with the Executive in September 2005.</p>
Scottish Executive – <i>The Relocation Guide</i>	June 2005	<p>The guide sets out the process units or organisations should follow when undertaking a location review, including the factors and criteria to be considered.</p>
<i>Choosing locations for Government business</i> (final version) – joint production by ODPM, HM Treasury and OGC	July 2005	<p>The guidance was prepared in response to the Lyons' Review. The document sets out how to draw up an options list, how to identify and assess wider impacts and how to identify the best option.</p>
<i>The King Sturge Guide to Office Relocation Decisions</i> (appears on the OGC website)	Mid 2005	<p>The document focuses on the processes and issues that need to be considered by organisations when deciding to relocate, covering both people and commercial property. The document draws heavily from the report prepared for Audit Scotland in April 2005 (see above).</p>
<i>Guidance on Location Choice: Choosing Locations for Government Business</i> – joint production by ODPM, HM Treasury and OGC	February 2006	<p>Revised edition of the consultation version published in January 2005 (see above).</p>

Relocation of Scottish Executive departments, agencies and NDPBs



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