FINANCE COMMITTEE

AGENDA

8th Meeting, 2004 (Session 2)

Tuesday 2 March 2004

The Committee will meet at 10.00 am in Committee Room 2 to consider the following agenda items:

1. Inquiry into the Relocation of Public Sector Jobs: The Committee will consider a SPICe briefing paper.

2. Budget Process 2005-06: The Committee will consider a paper by the Clerk on its approach to the 2005-06 budget process.

3. Item in private: The Committee will decide whether to consider the draft report into the Fire Sprinklers in Residential Premises (Scotland) Bill Financial Memorandum in private at its next meeting.

Susan Duffy
Clerk to the Committee
The papers for this meeting are:

**Agenda Item 1**

SPICe Briefing on Comparative Relocation Policies  
FI/S2/04/8/1

**Agenda Item 2**

Paper by the Clerk  
FI/S2/04/8/2
Finance Committee

8th meeting 2004 – Tuesday 2 March 2004

Inquiry into the Relocation of Public Sector Jobs

1. At its meeting on 3 February 2004, the Committee agreed that as part of its inquiry into the relocation of public sector jobs it would consider further background research from the Scottish Parliament Information Centre (SPICe), particularly concentrating on the relocation policies of other countries.

2. A briefing paper on this issue has been produced by SPICe and is attached. This briefing is largely a piece of desk research on the relocation experiences of the Scottish, Irish and UK Governments. The section covering relocation in France, Norway and Japan was provided to the clerks by staff working on the Lyons Review (the UK inquiry into relocation). It is incorporated to provide members with a brief outline of the relocation experiences elsewhere, as provided by the respective governments, with some possible lessons for Scotland.

3. The Committee is invited to discuss this research contained in this paper.

Susan Duffy
Clerk to the Committee
COMPARATIVE RELOCATION POLICIES

ROSS BURNSIDE

This briefing has been written to assist the Finance Committee in its inquiry into the Scottish Executive’s policy of relocating public sector workers.

At its meeting on Tuesday 3 February 2004, the Finance Committee agreed to the following remit for its inquiry into relocation:

“To inquire into and recommend the objectives, criteria and weightings of a policy for dispersing public sector jobs and mechanisms for transparency in decision making relating to that policy.”

The briefing focuses primarily on the relocation experiences of the Scottish, Irish and UK governments. It also provides some basic information on the relocation experiences of other countries – namely, France, Norway and Japan.
### CONTENTS

**KEY POINTS OF THIS BRIEFING** .................................................................................................................................................................................. 4

**RELOCATION: THE RATIONALE** .............................................................................................................................................................................. 5

**SCOTTISH RELOCATION POLICY** ........................................................................................................................................................................ 5

**IRISH RELOCATION POLICY** .............................................................................................................................................................................. 8

- DECENTRALISATION ANNOUNCEMENT – DECEMBER 2003 ......................................................................................................................... 10
- CRITICISMS OF THE IRISH POLICY ......................................................................................................................................................... 11

**UK RELOCATION POLICY** ................................................................................................................................................................................ 12

- HISTORICAL CONTEXT .................................................................................................................................................................................. 12
  - Flemming Review 1963 .............................................................................................................................................................................. 12
  - Hardman Review 1973 .................................................................................................................................................................................. 13
  - 1988 Relocation Policy .............................................................................................................................................................................. 13
- POST-IMPLEMENTATION ANALYSES .......................................................................................................................................................... 14
- CURRENT GOVERNMENT POLICY .......................................................................................................................................................... 15

**OTHER RELOCATION POLICIES** ...................................................................................................................................................................... 17

- FRANCE ................................................................................................................................................................................................. 17
- NORWAY ................................................................................................................................................................................................. 18
- JAPAN ................................................................................................................................................................................................. 19

**ANNEX 1: PROPOSED DEPARTMENTS FOR "DECENTRALISATION" IN IRELAND – LOCATION AND STAFF NUMBERS** ........... 21

**SOURCES** .................................................................................................................................................................................................... 24
KEY POINTS OF THIS BRIEFING

- From 1999-2004, approximately 3,180 public sector staff in Scotland have been, or will be affected by relocation decisions, representing around 4% of total Central Government and Non Departmental Public Bodies (NDPBs) staff.
- Finance Committee members have raised a number of questions regarding the transparency and consistency of the application of relocation criteria by the Scottish Executive.
- In 1999 the Irish government significantly extended its relocation programme, with the Finance Minister announcing his intention to decentralise around 10,000 public sector workers from Dublin. In December 2003, Finance Minister, Charlie McCreevy, announced specific details for the latest phase of relocation (see Annex 1).
- The Irish model of relocation is described as “voluntary,” with no compulsory redundancies and according to the Irish Finance Minister has been consistently based on the government’s regional development policy document, the National Spatial Strategy (NSS).
- It has been argued that the voluntary nature of the Irish system creates difficulties in moving departments or public bodies where there are employees with specialist knowledge in a particular field which cannot be found elsewhere.
- The UK government has a long history of relocating public sector employees. The Flemming Review of 1963 considered the relocation of 95,000 staff, recommended 57,000 staff for relocation and between 1963 and 1972 22,500 jobs were relocated from London and 9,490 new civil service posts were created outside London.
- The Hardman Review of relocation in 1973 considered 78,000 posts for relocation, recommended the dispersal of 31,500, of whom 10,000 were relocated.
- In January 2004, consultants Experian published a report for HM Treasury’s Lyons Review appraising completed relocations and examining their economic impacts.
- In a White Paper published in 2002, the current UK government outlined its intention to relocate public sector staff out of London and the South East, following this up in 2003 with an announcement of a Review into Relocation to be led by Sir Michael Lyons.
- A recent report ranked Edinburgh as a candidate location for some of the jobs the UK government plans on dispersing out of London and the South East. During its inquiry into relocation the Finance Committee may want to consider how the Scottish Executive and UK government relocation policies are operating together.
- During the last 12 years, the French government have moved almost 30,000 public sector staff out of Paris and the surrounding area.
- The French relocation experience has been said to have been particularly positive when involving the establishment of a scientific or technical function. Relocation in France has been said to be successful in raising the image and stimulating the economy of the receiving area.
- In May 2003 it was announced that 900 jobs are to be transferred from Oslo. The higher growth in unemployment in Oslo (relative to the rest of Norway) suggests that the regional economic benefits of relocation (when implemented) may be lower in Norway than in the other cases discussed in this paper.
RELOCATION: THE RATIONALE

Although there are different “relocation” policies in different countries, relocation usually involves “relocating,” “dispersing,” or “decentralising”1 staff from the main urban centre of a territory to other, smaller or less densely populated parts of the country. It can be utilised as a means of spreading jobs, and the economic benefits they bring, around the country.

A recent study, commissioned to inform the current UK government relocation review, looked at the rationale and benefits of relocation and found that rather than one particular driver, a combination of factors (listed below) were likely to underpin any given relocation, (Experian 2004, 15-25). These factors are drawn from analysis of relocations from London, but they could also apply to relocations from smaller government centres like Edinburgh or Dublin.

- Premises – existing premises no longer being sufficient to meet operational requirements are a common trigger for relocation
- Cost savings – the higher cost of property and labour (in London in the case of this particular study) are often cited as a key factor in relocating, with savings anticipated in lower wage rates and lower rents
- Labour force availability – it is often easier to recruit and retain staff, particularly at more junior levels, outside a major urban centre where public sector pay rates are not always sufficient to attract quality staff, particularly given increased competition from private sector employment
- Catalyst for change – in several of the cases studied, relocation served as a catalyst for changing the entire culture and approach of an organisation
- Wider government objectives – regional economic policy objectives (for instance, the economic regeneration of a particular area) can also be a key driving force behind relocations

With regard to the wider objectives of regional economic policy, the Experian report (2004, 3) also states that:

“public sector relocation can develop confidence in the future of an area, perhaps stemming a spiral of decline, or contributing to the successful regeneration of a deprived area. A public sector presence can encourage qualified people to stay, and can act as a catalyst for further investment by reducing the risk facing potential investors.”

SCOTTISH RELOCATION POLICY

As part of its strategy of “spreading the benefits of devolution,” the Scottish Executive has operated a policy of relocating public sector jobs throughout Scotland since 1999. Table 1 outlines the relocation review decisions announced by the Scottish Executive. It reveals that to date location and relocation reviews have been carried out and decisions announced on 14 public sector organisations involving the relocation of about 900 posts and the location away from Edinburgh of a further 480 (approximately) posts in new agencies or bodies. Decisions on the following organisations, involving a total of around 1,800 staff are expected in 2004:

- Mental Health Tribunal Service: 10 - 15 staff
- Scottish Arts Council: 100 staff

1 Terms used for describing relocation vary.
• NHS Quality Improvement Scotland: 100 - 110 staff
• NHS Health Scotland: 81 staff
• NHS Education Scotland: 100 staff
• Scottish Building Standards Agency: 44 staff
• Sportscotland: 133 staff
• Scottish Further and Higher Education Funding Councils: 163 staff
• Royal Fine Arts Commission for Scotland (Architecture and Design Scotland): 8 - 10 staff
• Registers of Scotland: 1030 staff

Combining the staff in all the organisation mentioned above, the numbers of employees affected by this policy totals approximately 3,180, representing around 4% of total Central Government and NDPB staff.²

Table 1: Relocation review decisions announced to date

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>NO. OF POSTS</th>
<th>DECISION ANNOUNCED</th>
<th>PREVIOUS LOCATION</th>
<th>NEW LOCATION(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Transport &amp; Lifelong Learning Department</td>
<td>160</td>
<td>1999</td>
<td>Edinburgh</td>
<td>Glasgow</td>
</tr>
<tr>
<td>Food Standards Agency</td>
<td>45</td>
<td>1999</td>
<td>New Agency</td>
<td>Aberdeen</td>
</tr>
<tr>
<td>Public Guardian's Office</td>
<td>40</td>
<td>2000</td>
<td>New Agency</td>
<td>Falkirk</td>
</tr>
<tr>
<td>Scottish Social Services Council &amp; Scottish Commission for the Regulation of Care</td>
<td>160</td>
<td>2001</td>
<td>New Agency</td>
<td>Dundee</td>
</tr>
<tr>
<td>Scottish Public Pensions Agency</td>
<td>175</td>
<td>2001</td>
<td>Edinburgh</td>
<td>Galashiels</td>
</tr>
<tr>
<td>Scottish Water HQ</td>
<td>50</td>
<td>2001</td>
<td>Edinburgh, Glasgow, Inverness, Aberdeen and Dundee</td>
<td>Dunfermline</td>
</tr>
<tr>
<td>Office of the Scottish Charity Regulator</td>
<td>20-30</td>
<td>2003</td>
<td>New Agency</td>
<td>Dundee</td>
</tr>
<tr>
<td>Scottish Natural Heritage</td>
<td>268</td>
<td>2003</td>
<td>Edinburgh</td>
<td>Inverness</td>
</tr>
<tr>
<td>Common Services Agency Phase 1</td>
<td>50</td>
<td>2003</td>
<td>Edinburgh</td>
<td>Aberdeen</td>
</tr>
<tr>
<td></td>
<td>80</td>
<td></td>
<td></td>
<td>Glasgow</td>
</tr>
<tr>
<td></td>
<td>45</td>
<td></td>
<td></td>
<td>Still to be decided</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td></td>
<td></td>
<td>Still to be decided</td>
</tr>
<tr>
<td>Scottish Executive Inquiry Reporters’ Unit</td>
<td>26</td>
<td>2003</td>
<td>Edinburgh</td>
<td>Falkirk</td>
</tr>
<tr>
<td>Forest Enterprise (Scotland)</td>
<td>20</td>
<td>2003</td>
<td>New Agency (no posts relocated)</td>
<td>Inverness &amp; Dumfries</td>
</tr>
<tr>
<td>Her Majesty’s Inspectorate of Education 2 additional offices</td>
<td>60</td>
<td>2003</td>
<td>New Agency (posts previously in Edinburgh)</td>
<td>Livingston</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td></td>
<td></td>
<td>Dunbartonshire &amp; Argyshire</td>
</tr>
<tr>
<td>Risk Management Authority</td>
<td>20</td>
<td>2003</td>
<td>New Body</td>
<td>Paisley</td>
</tr>
<tr>
<td>Accountant in Bankruptcy</td>
<td>83</td>
<td>2003</td>
<td>New Agency (posts previously in Edinburgh)</td>
<td>Ayrshire</td>
</tr>
</tbody>
</table>

Source: (Scottish Executive 2004)

² Derived from Public Sector employment figures contained in Scottish Executive (2003, 155).
In recent evidence to the Finance Committee (Scottish Parliament Finance Committee 2004a), Deputy Minister for Finance and Public Services, Tavish Scott, stated that in considering relocation reviews, objectives fall under three broad headings, whose relative influence can vary from case to case:

- The cost-effectiveness of the proposed location
- The economic and social needs of the proposed location
- The degree to which the location links in with the overall Scottish Executive vision of a decentralised Scotland

In looking at proposed locations for the relocation of public sector jobs, the location in question is scored against four factors:

- Socio-economic makeup of the area which is weighted by 50%
- The effect on the business efficiency which is weighted by 20%
- Sustainable transport links which are weighted by 15%
- Suitable available accommodation which is weighted by 15%

Finance Committee members at their meeting of 13 January 2004 raised a number of questions around how these criteria have been applied in practice. There was concern that the criteria were not clear enough and were open to differing interpretations. Specifically, concerns were raised as to the transparency and consistency of approach by the Executive in deciding on some locations over others.

For example, Galashiels was recommended to Ministers as one of the strongest candidates for the Scottish Public Pensions Agency in terms of the business case, though staff were opposed to the move and Rosyth was allegedly the consultant’s first choice. Conversely Falkirk was the cheapest option for the relocation of the Scottish Executive Inquiry Reporters Unit, was the option favoured by the business community and staff, and was the option ultimately chosen. In the case of the Office of the Public Guardian, a detailed specification was provided to consultants who reduced the initial 38 sites to a short list of 3, with Falkirk being the preferred site with respect to location, customer base and competitive rent and running costs.

However, consultant recommendations do not seem to have been adhered to in the announcement moving Scottish Natural Heritage (SNH) to Inverness. The consultants DTZ ranked 85 locations for the relocation of SNH (Inverness was joint 24th), then selected 5 locations to compare with the status quo (Edinburgh, West Lothian, Stirling, Perth and Inverness) and applied a financial analysis which discounted Edinburgh and Inverness. DTZ recommended a short list of West Lothian, Stirling and Perth while the Board of SNH indicated a preference for a new location in Edinburgh and a second preference for Stirling or Perth.

These concerns were raised with the Deputy Minister during the Finance Committee meeting of 13 January 2004. In response to a specific question about the relocation of SNH, the Deputy Minister stated:

“In the evolution of the policy, we have been keen to provide advice to organisations against the criteria that I outlined: socio-economic factors, the availability of transport, property suitability and operational business matters. By doing so, we hope to make it clear to organisations that enter the process that ministers and the Scottish Executive will consider their business cases against those criteria.”
Like all decisions that are made in Government, such decisions are political. Ministers have to balance the arguments with the wider policy objectives of decentralising Government and taking Government closer to the people, which are the wider aspirations that we all share in relation to devolution and Government in Scotland in general. We have to balance the big picture against the business case that is put by the organisation to the sponsoring department.

On SNH, my understanding is that the decision pre-dates the change in emphasis to socio-economic factors and the development of criteria in the past year or so. As you alluded to, ministers took the decision in relation to the wider policy objective of decentralising Government” (col 779).

With these Committee concerns in mind it is useful to look at the experiences of other governments in attempting to relocate public sector jobs throughout their respective territories.

**IRISH RELOCATION POLICY**

The process of “decentralising” public sector staff began in Ireland in 1987, continuing through the 1990s, resulting in the relocation of 3,834 public sector staff (Scottish Parliament Finance Committee 2004b). In 1999, the Irish government significantly extended its relocation programme, with the Finance Minister announcing his intention to proceed with a new decentralisation involving up to 10,000 civil and public servants. Since the 1999 announcement, the Department of Finance has received submissions, representations and enquiries on behalf of 130 urban centres throughout Ireland, seeking to be involved in the programme.

The Irish model of relocation differs from the Scottish equivalent in that it is described as “voluntary.” In moving a department or group of public sector workers from Dublin, the government first seeks volunteers working in the specified area who are willing to move. If, for instance, 40 jobs are involved in any given department and 25 of the existing staff volunteer to move, and 15 do not, the government then seek to fill the remaining 15 posts by inviting staff working in other parts of the public sector to volunteer to fill the remaining vacancies. The remaining 15 who have decided not to move can then seek other positions in the public sector. If there are insufficient volunteers, the staff may be appointed as a result of promotion and occasionally by open recruitment.

There is no compensation or additional expenses paid to those that move. The essence of the argument behind this feature of the policy is that employees will gain financially due to the lower housing costs outside Dublin.

Another feature of the Irish relocation policy (according to the evidence provided by the Irish government) is that central to the choice of a particular location is the National Spatial Strategy (NSS) – a national planning framework which aims to provide balanced regional development throughout the country. As will be mentioned below, critics of the current Irish government have contended that in a number of cases the NSS has not been properly consulted in the decision making process.

In agreeing the criteria for relocating staff, the information received by the Finance Committee explains that consultations were held with the Minister for Finance and Officials, other

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3 There are a total of 276,000 public and civil servants in Ireland, comprising 96,000 working in the area of health, 77,000 in education, 34,000 in local authorities, 12,000 in Defence, 11,000 in the Police, 9,000 in non-commercial State Bodies and 37,000 in the civil service.
government departments, and staff unions to hear their concerns. In considering the input of the various bodies, the government identified what it deemed to be the main criteria in relation to any decentralisation decisions. Namely:

“(i) units should be large and self-contained enough to avoid disruption of agencies' business and provide staff with appropriate career opportunities - in this context, care would have to be taken to avoid decentralising units with considerable numbers of professional staff or staff with scarce skills, for fear such staff would not move and could not be replaced in the new location;

(ii) given the voluntary nature of the programme, the necessity for locations to be attractive in which to live and work, not only for staff decentralised but also their spouse/partners and children, is recognised;

(iii) access to Dublin and its airport should be as good as possible, to minimise time spent away from decentralised units;

(iv) the possibility of choosing a location for a particular function(s) of an agency, with a view to a later transfer of more (or indeed all) of its functions should be kept in mind;

(v) chosen locations must have the necessary facilities - environmental, infrastructural, housing, educational, social and recreational - and have third-level education within reasonable distance; indeed, locations would require sufficient critical mass in terms of such facilities both to attract public servants and to be able to absorb their arrival, i.e. would not become "one company towns";

(vi) the choice of locations would have to be in line with the National Spatial Strategy.”

In information given to the Finance Committee's Relocation inquiry (Scottish Parliament Finance Committee 2004b), the Irish government outlined the following summary of their experience with relocation to date:

“Common Experiences
· overall experience was positive, though it required considerable planning and control
· turnover of staff in work areas being decentralised in many cases is in excess of 90 per cent, with consequential disruption and implications for loss of corporate experience
· as many as twice the number of staffing being decentralised had to transfer (internally and externally) to accommodate the relocation
· high turnover of staff since decentralisation
· desirability/necessity of staff overlap, with obvious resource implications
· desirability of additional resources in areas such as training, personnel and accommodation during the planning/execution phase
· enhanced/improvement accommodation and facilities was plus
· opportunity to introduce new/improved work practices or accelerate change management processes
- some initial loss of customer service and some effect on output and effectiveness
- capacity to deal with urgent short-term demands, through the temporary transfer of staff, is seriously curtailed

**Lessons**
- impact on staff left behind - may be demoralised, arrangements need to be in place to deal with (any) surpluses, attention and time needed for dealing with their redeployment
- communications - needs to be effective and constant with significant input
- size of office - a decentralised office should be of sufficient size to allow for reasonable staff development, mobility and motivation; it should provide a viable carer pyramid for staff with scope for lateral mobility; the perceived lack of promotion outlets, after the initial phase, can give rise to discontent; there is limited practical value in mobility where there is little or no variety in work; there should be an emphasis on achieving a critical mass of staff in each decentralisation location
- planning - there needs to be extensive preliminary planning involving significant input from management; full assessment of the impacts on customers/users/business/industry - BPR exercises, staff/management restructuring, IT changes etc. to be completed well in advance of moving - establish a project team with a project plan and ensure regular communications
- IT - ensure that a robust IT infrastructure is in place
- HR issues - consider constraints to prevent staff from transferring interdepartmentally soon after assimilation and training; expedite filling of vacancies at clerical level; new recruitment practices required for decentralised locations; specialised technical/professional skills are in short supply in current economic climate; single decentralised location or clustering of locations for any Department would facilitate career paths; regional promotion structures
- Implementation - phasing of staff movements can greatly help in smooth implementation; transfer of functions and staff should be achieved in shortest time-scale possible, consistent with business needs
- Costs - apart from those associated with the provision of accommodation, additional costs are likely to arise to additional staff resources, training, overtime, T&S
- E-Government - proposals should be cognisant of developments in this regard.

**DECENTRALISATION ANNOUNCEMENT – DECEMBER 2003**
An announcement detailing a further phase of decentralisation was made in the Minister for Finance’s Budget speech of 3 December 2003. In his speech, Charlie McCreevy stated:

“It is important that the growth we expect should be regionally balanced. In this regard, I am today announcing details of decentralisation of Government Departments and Agencies as promised in Budget 2000.”
For the first time ever, decentralisation will involve the transfer of complete Departments – including their Ministers and senior management – to provincial locations. A total of eight Departments and the Office of Public Works will move their headquarters from Dublin to provincial locations, leaving seven Departments with their headquarters in Dublin. All Departments and Offices will be participating in the programme.

Ministers with headquarters outside of Dublin will be provided with a centralised suite of offices, close to the Houses of the Oireachtas, for a small secretariat so they can conduct business while in Dublin and when the Dáil is in session. The previous decentralisation programme involved the relocation of some 4,000 public service jobs. The programme I am announcing today is far more radical. In total, it will involve the relocation of 10,300 civil and public service jobs to 53 centres in 25 counties.”

The statement was unexpected and criticised by opponents of the government as being secretive and designed to win votes for a Fianna Fail led government (Independent 2004).

Annex 1 outlines the Departments, agencies and jobs which it is proposed to transfer out of Dublin in the latest phase of relocating public sector workers. Annex 1 also shows the target number of jobs for each location. An Implementation Committee is being established to drive forward the implementation process, with the Chair of the Committee reporting to a special Cabinet sub-Committee. The Government may make some adjustments to the detailed provisions where necessary to ensure continued effective delivery of public services.

CRITICISMS OF THE IRISH POLICY

One restriction with a policy that relies on a voluntary movement of workers, is that it creates difficulties in moving departments or public bodies where there are employees with specialist knowledge in a particular field which cannot be found elsewhere. In reality, a voluntary relocation system might be restricted to public bodies and groups with a largely administrative function.

Press reports in recent weeks and months have also raised some of the concerns with the particular groups that have been pinpointed by the government as candidates for “decentralisation.” For instance, the general secretary of the Association of Higher Civil and Public Servants (AHCPS), Mr Sean O'Riordain, was quoted in the Irish Times of Monday December 08 2003 as asking

“why three-quarters of the locations chosen were neither gateways nor hubs under the National Spatial Strategy; how collective governance would function with a minister based in Dublin, a secretary-general somewhere else and a Department possibly in three or four bases; and how to ensure the moves added to rather than detracted from administrative efficiency. He emphasised that his union was "not hostile" to decentralisation and was only raising questions at this stage....

He would be asking what the basis was for decisions such as locating the Department of the Gaeltacht at Knock Airport, which was not in a Gaeltacht area.

"Or why is the Department of the Marine being moved to that well-known seafaring county, Cavan?" He said the first criterion of his union - which represents principal officers and assistant principals - was that the process
would be voluntary, a detail confirmed by Mr McCreevy when he made his announcement last week.

The Government insistence that its decision is irreversible follows reports of strong opposition to the plan, particularly at senior Civil Service level with several secretaries-general saying privately they believed relocating them in provincial centres would mean policy-making would be a more disjointed, less efficient process. Civil Service sources in several Government Departments earmarked for a move say many staff will use the fact that the process is to be voluntary to decline to move, creating major personnel and promotion problems.

These sources say many senior civil servants - typically in their 40s or older, many with spouses in Dublin-based careers and with children settled in Dublin schools - will not want to move to the provincial locations designated for Departmental headquarters: Cavan, Drogheda, Killarney, Knock Airport, Newbridge, Mullingar, Trim and Wexford."

In a more recent article, in the Independent of Wednesday 11 February 2004, it was reported that "many civil servants are reluctant to make the move. Some feel they are being confronted with a gentler modern version of Cromwell's ancient ultimatum of "to hell or to Connaught." The article went on to state:

"Critics say the constituencies of some government ministers will, coincidentally or not, benefit from many of the relocated jobs.

The scheme was attacked as "hare-brained and totally opportunistic" by the former taoiseach, Garret Fitzgerald, who accused the government of acting in its own blatantly partisan self-interest…Mr Fitzgerald and others question how a government can function at its highest levels when its senior officials, who will be included in the move, will be dispersed over the country."

UK RELOCATION POLICY

HISTORICAL CONTEXT

The concept of relocating public sector activities away from London is not new as three previous reviews on the relocation of workers have taken place.

Flemming Review 1963

The first major relocation study of recent times was carried out in 1963 by Sir Gilbert Flemming and considered the relocation of 95,000 staff based in London. Flemming’s methodology was based upon identifying self-contained areas of activity that could be relocated in their entirety to generate property and labour savings without any loss to efficiency. One of the key criteria used in Flemming’s Review was the identification of staff that had little contact with Ministers or with teams other than their own. As a result, most of the posts that were identified for dispersal were in low-grade processing, accounting and statistical functions. 57,000 jobs were recommended for relocation and the review also concluded that any new bodies would, where possible, be located outside London.

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4 Data on the Fleming Review is drawn from Lyons (2003).
Between 1963 and 1972, 22,500 jobs were relocated from London and 9,490 new civil service posts had been created outside London.

**Hardman Review 1973**

In 1973, Sir Henry Hardman carried out a second major relocation review, which considered a further 78,000 London headquartered staff for relocation. This review was conducted in the context of a general re-organisation of departmental functions with the aim of:

- improving the quality of policy formulation
- improving the framework in which policy was formulated
- ensuring that Government responded and adapted to new policies and programmes

For the first time, the review included policy staff in its consideration of who should be relocated. As a result, the frequency of meetings with Ministers was considered to be a key factor for decisions on relocation. Contact with other units within Government, and outside stakeholders was another important factor, along with recruitment issues for different jobs.

The review also made recommendations about where functions should be relocated using broadly the following criteria:

- Assisted Areas, as determined by regional policy, were preferable. Government had specified these assisted areas prior to the review
- New offices had to be of sufficient size, to ensure efficiency, and viability of career opportunities for relocating staff
- Access to London
- A local labour market that could meet Departmental recruitment needs.

The review recommended the dispersal of 31,500 posts. Only around 10,000 of these were ever dispersed.

**1988 Relocation Policy**

This policy did not set central targets for numbers to be relocated; nor did it specify areas to which relocation would be preferable. Instead, Departments were required to keep the location of their staff under active review, and report their progress to the Treasury. These reviews were to be carried out with the objective of:

- Improving cost effectiveness
- Wider employment and economic benefits in light of regional policy
- Benefiting operational, and managerial efficiency

A number of Departments, including the Department of Health and the Department of Social Security, relocated substantial numbers of staff as a result.

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5 Data on the Hardman Review is drawn from Lyons (2003).
6 Data on the 1988 Relocation Policy is drawn from Lyons (2003).
POST-IMPLEMENTATION ANALYSES

With the policy of relocating workers out of London to other parts of the UK having been in place since the 1960s, it is worthwhile analysing the impact and lessons from past experiences of relocation. In January 2004, Experian published a report assessing *The Impact of Relocation*, with the main purpose of appraising completed relocations, and examining their economic impacts.

The study found considerable evidence that “relocation brings significant benefits to organisations, enabling them to reduce operating costs, reshape their culture, and modernise working practices in the light of new technology.” The study also reported that the “economic benefit to areas receiving relocated government functions was greater than had been believed, and that there were broader, but less tangible benefits to these areas in terms of boosting skills and investment, and building confidence for future development and investment” (Experian 2004, 1).

Factors which the study found to be critical to the success of relocation projects were:

- Strong and committed leadership at the top of the organisation
- Good communication with staff to maintain morale and prepare and persuade staff to move
- Rigour and transparency in the preparation of the business case for moving was deemed “fundamental”
- Risk management, realistic planning and close monitoring of progress were also key success factors

The study found that a “them and us” culture could emerge over time, whereby relocated staff felt somewhat isolated and under-valued compared with staff remaining “at the centre.” One way the study identifies of countering this kind of development is ensuring that the same cultural and business changes affecting relocated staff are equally applied to those who do not relocate. “Another mitigating measure is to base senior managers in offices in the regions, or arrange for them to make regular visits” or undertake a secondment.

Another interesting finding from the Experian (2004, 2) study was that senior staff can be reluctant to relocate because the perception remains strong, especially among civil servants, that career opportunities outside the centre are limited.

“We considered this might be addressed by clustering relocated public sector functions in a small number of areas to provide a broader range of career opportunities. We also thought that clustering could build on synergies between public sector organisations, such as research establishments, universities and existing regional presence, to promote a more informed and co-ordinated approach to policy development and administration.”

Clustering public sector activity may also have the affect of providing greater employment opportunities for spouses or partners of relocating staff.

The study (Experian 2004, 3) found that the economic impact of relocation to the receiving areas is derived from “increased spending by the relocated department and its employees on goods and services, which boost demand and create jobs ‘in the wake’ of the public sector jobs moved.” However:
“an influx of well paid public sector jobs can also drive up local pay, and can lead to the loss of jobs in the private sector. This negative economic effect has to be set against the positive, when assessing the overall impact on the area.”

Overall, the study concludes that to maximise the economic benefit to a receiving areas, “public sector pay rates must be more closely aligned with those applying locally.”

In addition, it was found that the type of posts relocating also has a bearing on the economic impact. Despite the problems in persuading senior staff to move, it was found that economic benefits were greater the higher the numbers of senior staff relocating.

“Broadly, the more senior posts involved, the greater the economic benefit to the receiving location, because more senior staff tend to be better paid and to have more disposable income to spend locally. In addition they are more likely to move with their post, or be based outside the area and travel longer distances to work, so they will not be exacerbating competition for local labour.”

Senior post movement also tend to inject a greater degree of skills into the area, which could be expected, over time, to create a flow of learning to other sectors, through networking and the turnover of staff.

CURRENT GOVERNMENT POLICY

In the UK Government’s Regional White Paper of 2002 (ODPM 2002), the following statement laid out the emerging government policy on the relocation of public sector workers from London and the South East.

“The Government is taking further steps to ensure that it is well placed to respond to each regions needs, including…encouraging Whitehall departments to consider the balance of their staff as between the centre and the regions in terms of effective policy design and implementation. In particular, departments will have to demonstrate the case for not locating new streams of work outside London and the South East.” (paragraph 2.34)

In the 2003 Budget a new review was announced, to be led by Sir Michael Lyons, examining departmental proposals for relocating civil service and public service staff from London and the South East to other parts of the country. The terms of reference for the Lyons Review are:

“In the light of the need to improve:

- the delivery and efficiency of public services; and
- the regional balance of economic activity;

and, taking account of departmental pay and workforce strategies, updated to reflect relocation plans, Sir Michael Lyons will make recommendations to the Deputy Prime Minister and the Chancellor for the relocation of civil service and other public sector workers, by November, to inform the next spending review.”

Departments submitted relocation proposals to the Lyons Review in September 2003 that identified approximately 20,000 jobs that could be relocated from London and the South East. The timetable of the Review has been extended beyond the original deadline of late November, and Sir Michael Lyon is now due to report in March 2004.
In light of the Lyons Review, the Government produced the following list of principles behind the government’s policy of relocation of government activity from London and the South East to other parts of the UK:

“Relocation Principles

Rationale

1. The concentration of Government activity in London and the South East must be determined by the service needs of the regional population and the interests of effective national Government. The current degree of concentration is not optimal in terms of efficiency, effective delivery and the needs of the United Kingdom outside London and the South East.

2. The Government is committed to realising the benefits of well-planned dispersals of public sector activity from London and the South East. These benefits include enhanced efficiency and service delivery, social and economic benefits across the United Kingdom, and improved governance, including paving the way for further devolution of national Government responsibilities.

Context and responsibilities

3. Heads of departments and sponsored bodies will be responsible on a continuing basis for realising the benefits of relocation and will be held accountable for exercising this responsibility.

4. Public sector relocation is a key strand of modernising and reforming Government. Heads of departments must integrate relocation with their wider reform programmes, in particular the search for greater efficiency, and the development of pay and workforce strategies.

5. Relocation will be driven by individual departments’ business plans, developed in the context of the Government’s wider objectives for efficiency, economic and social impact on different United Kingdom locations, and good governance.

6. There is an automatic presumption that new or reconstituted Government activities will be located outside London and the South East.

Incentives

7. Departments and their sponsored bodies need sharper incentives to keep their presence in London and the South East at the most appropriate level and to help realise the cost savings and other benefits of relocation. It is not clear that capital charging has provided a sufficient discipline in this area.

Civil estate coordination

8. Departments or sponsored bodies wishing to enter into or renew a significant property commitment in London (currently defined as 2,000 square metres or more) must continue to seek Treasury approval.

9. There will be stronger central co-ordination of the civil estate in the interests of greater efficiency and in particular to facilitate the sub-letting of properties vacated by Government bodies in London, to drive through savings, and to ensure a joined-up overview of the pattern of regional locations.

Staffing issues

10. Departments will benefit from a broadly common approach to the staffing dimension of relocation. Common principles include:
“a need to engage the trade unions early in taking forward relocation proposals; relocation packages to follow best practice in the public and private sectors; and wherever possible, but with no guarantee, movements of staff in post will be undertaken on a voluntary basis and efforts will be made to reabsorb elsewhere in the public sector staff who do not move with their relocated posts.”

During its inquiry into relocation, the Finance Committee may want to consider the recent report ranking Edinburgh as a candidate location for some of the 20,000 jobs the UK government plans on dispersing out of London and the South East (King Sturge 2003). Given that the Scottish Executive is currently developing a relocation policy, taking public sector jobs out of Edinburgh, the Finance Committee may want to consider how the two approaches work together.

OTHER RELOCATION POLICIES

This section outlines the relocation experiences of France, Norway and Japan. Members should be aware that the information provided in this section is compiled from information provided by the respective governments.

FRANCE

Decentralisation has been an ongoing policy in France for the last 50 years in both the public and private sector as a way of keeping large developments away from Paris. During the last 12 years, almost 30,000 public sector jobs have moved out of Paris and its surrounding region. In March 2003, the Prime Minister announced proposals for the transfer of 150,000 centrally based civil servants throughout the rest of the country.

Posts have moved from the following government departments:

- Foreign Affairs
- Social Affairs and Work
- Economy, Finances and Industry
- Defence
- Transport
- Housing
- Tourism

In 1998, the Committee for the Territorial Establishment of Public Employment (CITEP) was established to ensure measures to create a balanced distribution of public sector employment in each region by taking into account the needs of the users of public services, the efficiency concerns of the state and modernisation of public management. The role of the CITEP is to:

- Determine services and state functions that would be unaffected by no presence in Paris/Ile de France
- Investigate conditions under which functions can be wholly/partly transferred and how that contributes to a balanced development of the regions
- Propose transfer options of the public services that ministries will put in place. Ensure these are carried out in the long term and in respect of relocations adopted by the government
The criteria used to determine the locations for staff decentralisations are:

- The impact on local planning
- The emergence or reinforcement of centres of excellence
- The stimulation of the local economy
- The effect on modernisation, performance and management of a particular organisation

There are some parallels and lessons that can be learned in Scotland from the French relocation experience. The French experience shows that the impact on the local and regional economy varies depending on the type of function being transferred. For instance, relocation of workers has proven to be particularly positive when involving the establishment of a scientific or technical function, particularly the research sector. Relocation has been shown to be successful in raising the image of the receiving area, creating centres of excellence outside Paris and the surrounding areas, stimulating the local economy, and has reinforced the role of the regional capital. One of the problems encountered in the French experience has been the loss of job of the spouse and the absence of guarantees for the spouse of a relocating employee.

**NORWAY**

In May 2003 it was announced that 8 state regulatory agencies were to be moved out of Oslo, resulting in the transfer of 900 jobs from Oslo.

The following agencies are to be moved:

- Labour Inspection Authority
- Post and Telecommunications Authority
- Civil Aviation Authority
- Maritime Directorate
- Competition Authority
- Media Authority
- Directorate for Civil Defence and Emergency planning
- Petroleum Authority

The *aims* of the relocation policy are as follows:

- The relocation is part of a wider reorganisation of regulatory bodies, designed to modernise, and increase the efficiency of the public sector
- One of the aims of the Norwegian relocation policy is to free up regulatory bodies from political control, and from the institutions they regulate, although the government have had to make concessions on this that have lessened the impact relocation will have on this aim
- To create more balanced regional development
- To build up the competence and know how in the regions so there is a capacity building element
- To make agencies more competitive in local labour markets, and also to improve retention of staff

**Process:**

- Staff are not obliged to follow agencies and are entitled to full severance pay and priority for other posts
Costs of relocation are to be met centrally, not by individual bodies, to safeguard their ability to deliver their day to day objectives and ensure they can give staff help in relocating.

Relocation is to happen gradually, over a 3 year period, to ensure the agency can continue its day-to-day business, and to allow staff to deal with the move, or find new jobs. However – this arrangement may well cost more in transitional costs as shadow teams will be needed in both locations for a long period.

The response so far from affected employees has been as follows:

- There is concern that this policy will weaken the ability of the organisations to carry out their work – many staff will choose not to move.
- It has been suggested that contacts between the agencies and partner organisations based in Oslo will be reduced.
- There have been questions over the measurement of the costs and benefits of relocation: total costs and socio-economic impact of relocation has not been taken into account.
- The movement of 900 jobs out of Oslo is problematic as unemployment in Oslo is growing faster than elsewhere.

In terms of drawing lessons or parallels from Norway, it is hard to compare Edinburgh or London to Oslo as Edinburgh and London (relative to the rest of the UK) have higher employment and activity rates than Oslo (relative to the rest of Norway). In that sense, the regional economic benefits of relocation may be lower in Norway. Also, the relocation in Norway (of 900 employees) is relatively low compared to the numbers being suggested for London and Edinburgh. The Norwegian relocations have also yet to take place, therefore, providing us very little detail as to the methodology and criteria used in decision making.

JAPAN

A resolution to relocate the Japanese Diet, and other organisations, from Tokyo to a new city, was made in 1990. The project is ongoing. The aims of the Japanese relocation programme are as follows:

- The relocation of capital functions in Japan is seen as a method for “ushering in a new age” – they see it as a driver of deregulation, decentralisation and wider reform of Government.
- Reducing congestion and overheating problems in Tokyo is seen as another aim.
- Reducing the risk to Japan of natural disasters (especially earthquakes), by having capital functions spread, and by using the vacated land in Tokyo to build earthquake shelters etc, is a further driver.
- The case for relocation also mentions the fact that previous policies have been very Tokyo centred – relocation would reduce this bias.
- The investment in infrastructure for the new city is also argued to have wide spread economic benefits – acting as a stimulus.

Parallels and lessons learnt.

The Japanese relocation policy is a very different type of relocation to anything being suggested for Scotland or the UK as a whole. For example, it is on a very large scale and to a newly built city, making comparisons perhaps not overly useful. The aim and assumption that Tokyo will benefit, and the use of this as a justification for policy, is distinctive from Scotland. The
economic benefits being claimed for this relocation are very different to those being considered in the UK. The argument in Japan is that building a new city and new transport infrastructure to link the city to the rest of Japan will develop Japan's economy, rather than consideration of whether this will impact on the receiving region. Also, the receiving region is being newly built – and thus is again not comparable. Japan also has the variable of its relocation policy being developed as a form of protection from the implications of earthquakes.
## ANNEX 1: PROPOSED DEPARTMENTS FOR “DECENTRALISATION” IN IRELAND – LOCATION AND STAFF NUMBERS

<table>
<thead>
<tr>
<th>Department</th>
<th>Organisation/Agency</th>
<th>Location</th>
<th>Approx. Nos.</th>
</tr>
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<tr>
<td>Agriculture &amp; Food</td>
<td>Department HQ</td>
<td>Portlaoise</td>
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<td>Cork City staff</td>
<td>Macroom</td>
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<td></td>
<td>Bord Bia</td>
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<td></td>
<td><strong>655</strong></td>
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<td>Arts, Sport &amp; Tourism</td>
<td>Department HQ</td>
<td>Killarney</td>
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<td></td>
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<td></td>
<td>Sports Council</td>
<td>Killarney</td>
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<td><strong>Sub-total</strong></td>
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<td></td>
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<td>Department HQ</td>
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<td></td>
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<td></td>
<td>FÁS</td>
<td>Birr</td>
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<td>Arklow</td>
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<td>Department Staff</td>
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<td><strong>2,075</strong></td>
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| Foreign Affairs | Development Co-operation Ireland | Limerick | 130 |
|**Sub-total** | | **130** |

| Health & Children | Various | To be decided | 500 |
|**Sub-total** | | **500** |

| Justice, Equality & Law Reform | Department staff | Tipperary | 200 |
| Data Protection Commissioner | Portarlington | 20 |
| Equality Authority & Director of Equality Investigations | Roscrea | 80 |
| Garda HQ (incl. civilians) | Thurles | 200 |
| Garda Complaints Board | Portarlington | 20 |
| Land Registry | Roscommon | 230 |
| Prison Service HQ | Longford | 130 |
| Probation & Welfare Service | Navan | 100 |
| **Sub-total** | | **980** |

<p>| Social &amp; Family Affairs | Department HQ | Drogheda | 300 |
| Department staff | Buncrana | 120 |
| Department staff | Donegal | 230 |</p>
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<tr>
<td>Department staff</td>
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<td>Department IT</td>
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<td>Combat Poverty Agency</td>
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<td>Comhairle</td>
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**Sub-total** | **1,310**

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<td>Road Haulage</td>
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<td>Bus Éireann</td>
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<td>Irish Aviation Authority</td>
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<td>National Roads Authority</td>
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<td>National Safety Council</td>
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<tr>
<td>Railway Safety Commission</td>
<td>Ballinasloe</td>
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**Sub-total** | **460**

**Overall total** | **10,300**

SOURCES


*providing research and information services to the Scottish Parliament*


Background
1. The Executive will publish its Annual Expenditure report (AER) by the end of March or beginning of April. This AER forms the basis for the Finance Committee’s Stage 1 consideration of the Budget Process 2005-06.

2. Detailed consideration of the budget is carried out by the subject committees, which scrutinise the areas of the Executive’s budget within their remit. A number of subject committees have appointed advisers to assist their consideration. They will report back to the Finance Committee, which has the role of considering and co-ordinating their responses and, in turn, reporting to the Parliament. Subject committees will report to this Committee by the middle of May and the Finance Committee must report to Parliament before the summer recess.

3. As there will be a UK Spending Review this year, there will be additional information that the Committee will need to consider and this is likely to be available by the end of April.

Revised AER Process
4. The response from the Executive to the Committee’s report on Stage 2 of the Budget Process 2004-05 makes clear that the Executive intends to revise the AER as recommended by the Committee. While the precise revised format is not yet known, it is likely that the document will assess the Executive’s progress against its targets as well as setting out a new budget strategy for the next spending review period.

5. Stage 1 of the Budget Process was set up to allow Parliament to take a strategic look at the budget. With the anticipated revised format, it is suggested that the Committee concentrate on assessing the Executive’s performance in meeting its stated priorities and evaluating the revised budget strategy.

Approach to Stage 1
6. As previously indicated to the Committee, the Committee’s adviser and SPICe will produce a paper on spending trends and this paper is scheduled to be discussed at the Committee’s meeting on 9 March 2004.

7. To assist the Committee in discussing the Executive’s approach to priority areas, it is suggested that the Committee’s adviser produce a paper reviewing the Executive’s budget strategy. It would be intended that this be discussed prior to the publication of the AER. The Committee is invited to agree this approach.
Evidence

8. Given the relatively tight timescale within which the Committee has to operate, it is suggested that the Committee hold two evidence sessions on 4 May 2004 and 11 May 2004. In the past, the Committee has taken evidence from experts and independent commentators to help it take a strategic overview. Some suggestions for witnesses are given below:

- Peter Wood of Tribal HCH. He is a leading economist and has previously appeared before the Committee.
- Jeremy Peat, Chief Economist with the Royal Bank of Scotland.
- Professor Irvine Lapsley, Professor of Accounting and Director of the Institute of Public Sector Accounting Research at the University of Edinburgh. Professor Lapsley’s main area of specialism is the financing of government and health.
- Professor David Heald, Professor of Financial Management at the University of Sheffield.

9. At its meeting on 17 December 2003, it was suggested that the Committee might want to invite a wider range of witnesses than it has previously. The Committee is invited to take a view on this and to suggest any names or organisations. The Committee should bear in mind that there is limited time in which to take oral evidence, particularly if it wishes to hold an external meeting as it has done previously.

10. In addition, written evidence could be requested from other bodies from whom the Committee wishes to receive a view.

11. The Committee is invited to agree its approach to evidence taking.

External Meeting

12. This Committee has continued the work done by its predecessor on holding external meetings to enable the Committee to take evidence from local organisations and groups who traditionally would not have an opportunity to contribute evidence to the budget process.

13. It is suggested that the Committee could hold an external meeting on 25 May 2004. The previous Finance Committee met in the following locations: Orkney, Skye, Kirkcudbright and Perth and this Committee met in Motherwell in November 2003.

14. The Committee is invited to agree whether it wishes to hold an external meeting on 25 May 2004 and to agree either a specific location, or geographic area.

15. Previously the Committee has set up workshop sessions with various organisations. The workshops aimed to provide an insight into how national priorities and spending plans impact on the local area, and the level of
engagement that local organisations have with the budget process. Members have been assigned to workshops which meet informally and have the support of a clerk. A member is then appointed to report back to the Committee once its reconvenes on completion of the workshop. It is suggested that the Committee takes a similar approach to this meeting.

16. It is anticipated that the Committee will also need to consider reports from all subject committees at this meeting.

17. If the Committee agrees to hold an external meeting, then approval for this will be sought from the Parliamentary Bureau and from the Conveners’ Group.

Conclusion
18. The Committee is invited to agree the following:

- That the Committee’s adviser produce a paper reviewing the Executive’s budget strategy.
- The range of witnesses from which it wishes to seek evidence
- That it will hold a meeting outwith Edinburgh and agree on the date, location and format of such a meeting.

Susan Duffy
Clerk to the Committee