FINANCE COMMITTEE

AGENDA

14th Meeting, 2004 (Session 2)

Tuesday 4 May 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 take evidence as part of its inquiry from—

   Tavish Scott, MSP, Deputy Minister for Finance and Public Services; and

   Paul Rhodes, Head of Facilities and Estates Services and Michael Garden, Head of the Corporate Responsibility Unit, Scottish Executive.

2. **Budget Process 2005-06:** The Committee will take evidence as part of its consideration of Stage one of the 2005-06 Budget Process from—

   Professor David Heald, University of Sheffield and Professor Irvine Lapsley, University of Edinburgh; then

   Andrew Goudie, Chief Economic Adviser; Liz Lewis, Head of Ministerial Support Group and Richard Dennis, Finance Co-ordination Team Leader, Scottish Executive.

3. **Items in private:** The Committee will decide whether to consider the draft reports on the Financial Memoranda of the School Education (Ministerial Powers and Independent Schools) (Scotland) Bill (Scotland) Bill and the Breastfeeding etc. (Scotland) Bill in private at its next meeting.

4. **Cross Cutting Expenditure Review on Economic Development (in private):** The Committee will consider an approach paper by the Clerk for phase two of its review.

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

**Agenda Item 1**

Paper by the Clerk – analysis of online questionnaire

Paper by the Clerk – written submission

PRIVATE PAPER

**Agenda Item 2**

Annual Evaluation Report – previously circulated
http://www.scotland.gov.uk/library5/government/aer06-00.asp

PRIVATE PAPER

PRIVATE PAPER

**Agenda Item 4**

PRIVATE PAPER
Finance Committee

14th Meeting 2004 - Tuesday 4 May 2004

Public Sector Jobs Relocation Inquiry – Analysis of Online Questionnaire

Background
1. As part of the evidence taking for its inquiry into Public Sector Jobs Relocation, the Committee created an online questionnaire in order to seek the views of staff who have been or who may be affected by relocation.

2. The questionnaire asked respondents to focus on their own practical experiences of relocation (where applicable), as well as asking more theoretical questions about relocation policy in general.

3. Members are reminded that all respondents were guaranteed confidentiality in providing their replies and that any comments reproduced would not be attributed to a specific individual.

Key Findings
4. This section highlights the key findings to have emerged from the questionnaires. The more detailed data to which these findings refer are contained in annexe 1.

Experience of Relocation
5. There were 154 completed questionnaires in total. All respondents were asked if they had any personal experience of their organisation relocating. 129 (or 84%) said that they had, and the analysis in this section is based on their responses.

6. Those who had experience of relocation, were then asked “at what stage of the relocation process is your organisation at?” For those who answered (125), the majority (80) said “in the process of relocating”, 36 said “identified for consideration but no decision yet taken”, 7 said “relocated” and 2 said “considered, but decided against relocation” (see figure 1 in the annexe).

Consultation

• The majority of those who had experienced relocation (55%) thought that the consultation process in relation to their organisation’s relocation was poor. (see figure 2).

• There was considerable criticism of the Executive and, to a lesser degree, the Parliament, for failing to take notice of staff concerns raised in the consultation processes. A strongly recurring message, particularly from staff of Scottish Natural Heritage (SNH), was that the consultation exercise had been a charade as the decision to relocate had already been made at a political level. It was felt that staff opinions were ignored by the Executive and that the human cost of the decision was not properly considered.
• 78% of those who responded said "not at all" when asked the extent to which their views contributed to the decision making process. Only 1% said "significantly" or "well". (see figure 3)

• Some respondents argued that the decision to relocate SNH to Inverness was because it would be of electoral benefit to the Executive, while others criticised what they perceived to be a waste of resources in proceeding with relocations. There were also questions raised as to whether the Executive had considered what the wider consequences of the move would be, in terms of impacting on its other policies. For example, moving to areas where there are poor transport links, or which will see an increase in congestion, or a clash with “family friendly” policies.

Relocation

• When asked what they understood to be the most relevant factors in the organisation’s relocation, the most common responses were “economic and social development benefits for the relocation area”, or “the business needs of the organisation”. (see figure 4)

• Of the (66) respondents who specified their own reason, 73% said it was for political reasons, compared with 12% who said it is in line with the Executive’s policy on relocation.

• The most important factors which would influence respondents to relocate were spouse’s/partner’s job and wider family commitments (see figure 5). Clearly, these reasons are different from the perceived reasons why organisations relocate.

Perceptions of relocating

• The remaining questions focused more on attitudes towards the principle of relocation rather than individuals’ own experiences. The data are therefore based on the answers of all 154 respondents.

Policy

• There was a clear 2 to 1 majority in favour of the Executive having a relocation policy, even amongst those who had been through a relocation. (see figure 6)

• That said, very few people gave their unequivocal backing to the Executive’s policy as it stands. Those who supported the principle typically did so on the basis that it could help to spread the benefit of public sector jobs across Scotland, particularly to those areas in greatest economic need. Other considerations were that the policy should be beneficial to an organisation’s aims and objectives, and that it should show a benefit to the taxpayer.

• There was a very strong consensus that it should only be new organisations which are considered for relocation, as the impact on staff of established organisations and their families can be significantly detrimental. It was also made clear that by “new organisations”, some of those surveyed did not
think that this description should be applied to organisations which have simply merged and where staff are effectively carrying on in the same post.

- A small number of respondents felt that the behaviour of the Executive was somewhat hypocritical, in that there did not seem to be an onus on Executive staff to relocate. Further, there was a perception that while civil servants are also given the option of remaining in a different post in Edinburgh, non-Executive staff can be made redundant if they refuse to move.

The mechanics of relocation

- When asked to rank the most important factor for deciding whether an organisation should relocate, the business needs of the organisation was ranked as the most important, followed by accommodation. (see table 1)

- When asked to provide other reasons, several respondents, not surprisingly, mentioned a staff-related factor, for example the impact on existing employees and retention of valued staff.

- The next question was very similar, but focussed on where relocation should take place. “Socio-economic needs of area” and “the cost of relocation” were the top two ranked factors. (see table 2)

- The most common answer to the question of “when within the relocation process would staff consultation be most effective” was “prior to the initial decision that an organisation may be suitable for relocation”. The least common response was that staff consultation is most effective prior to the announcement of the final agreed location (see table 3).

Terry Shevlin
Senior Assistant Clerk to the Committee
ANNEXE 1

1. If you have any personal experience of your organisation relocating, at what stage of the relocation process is your organisation at: Relocated; considered, but decided against relocation; in the process of relocating; identified for consideration but no decision yet taken?

FIGURE 1
Stage of Relocation

- Underway: 80
- Identified: 36
- Relocated: 7
- Against: 2
How would you rate the consultation with staff in relation to your organisation’s proposed relocation: Excellent, Good, Fair or Poor?

**FIGURE 2**

Rating Staff Consultation

To what extent do you feel that your views contributed to the decision process: significantly, well, partially or not at all?

**FIGURE 3**

Staff Views and Relocation
If applicable, what do you understand to be the most relevant factors in the decision as to whether your organisation should relocate?

- Economic and social development benefits for the relocation area
- Transport links
- Availability of office accommodation in relocation area
- Recruitment and retention of staff
- Business needs of organisation (this could refer either to there being a business need to relocate or a business need not to relocate)
- Staff preferences
- Other – please specify¹

**FIGURE 4**

*Relocation Factors*

![Pie chart showing the distribution of factors influencing relocation decisions.](image)

What are the four most important factors which would influence your own decision to relocate?

- Spouse/partner’s job
- Children’s education
- Wider family commitments
- Accommodation
- Social life
- Transport links
- Attraction or relocation area
- Personal financial cost of moving

¹ Some respondents selected more than one factor.
• Promotion opportunities within organisation

FIGURE 5
Your Relocation

Do you think that the Scottish Executive should have a relocation policy?

FIGURE 6
Policy - all Staff

---

2 Responses were weighted by allocating 4 points for the first response; 3 for the second response, etc. Some respondents did not provide a mark for all the options provided.
There are a number of criteria which may be used when deciding whether an organisation should relocate. Please rank the following in order of which you feel should be the most important for the organisation (1 = most important).

- Cost, suitability and availability of accommodation
- Taking social and economic benefits to other parts of Scotland
- Decentralisation of public sector jobs
- Changing business needs of the organisation
- Savings to the organisation
- Other – please specify

N.B. Please note that the lower the score in the table, the more important the factor is perceived to be by respondents.

TABLE 1

<table>
<thead>
<tr>
<th>Should it relocate?</th>
<th>314</th>
<th>360</th>
<th>397</th>
<th>465</th>
<th>498</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharing benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decentralisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Some respondents did not provide a mark for all the options provided.
There are also a number of factors which can determine where an organisation relocates to. Please rank the following in order of which you feel should be the most important for the organisation (1 = most important).

- Cost, suitability and availability of accommodation
- Transport links
- Socio-economic needs of area
- Changing business needs of organisation
- Staff preferences
- Recruitment and retention of staff
- Cost of relocation
- Other – please specify

N.B. Please note that the lower the score in the table, the more important the factor is perceived to be by respondents.

TABLE 2
Where to relocate

At what point within the relocation process do you believe that consultation with staff is most effective? Please rank the following in order of which you feel is the most important (1 = most important):

- Prior to the initial decision that an organisation may be suitable for relocation.

---

4 Some respondents did not provide a mark for all the options provided.
• Following the decision to relocate
• Prior to the short list of potential locations being decided
• Following the publication of the short list of potential locations
• Prior to the announcement of the final agreed location

N.B. Please note that the lower the score in the table, the more important the factor is perceived to be by respondents.

TABLE 3
Most Effective Consultation

<table>
<thead>
<tr>
<th></th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to initial decision</td>
<td>245</td>
</tr>
<tr>
<td>Prior to short list</td>
<td>345</td>
</tr>
<tr>
<td>Following relocate</td>
<td>414</td>
</tr>
<tr>
<td>decision</td>
<td></td>
</tr>
<tr>
<td>publication of short list</td>
<td>424</td>
</tr>
<tr>
<td>Prior to final</td>
<td>573</td>
</tr>
<tr>
<td>announcement</td>
<td></td>
</tr>
</tbody>
</table>

Some respondents did not provide a mark for all the options provided.
Summary
This paper contains HIE’s initial response to the Scottish Parliament’s Finance Committee’s Inquiry into the relocation of public sector jobs. HIE would welcome the opportunity to expand upon this in oral evidence.

The following summarises the key issues described in this paper:-

Dispersal can distribute the benefits of public sector employment to as many communities as possible, including our more remote and fragile communities.

Small numbers of job opportunities (10 – 20) can bring significant benefits to small, rural communities.

A clearly defined policy is required to reverse the current concentration of public sector jobs. Greater transparency of objectives, locations and timescales will benefit planning and minimise staff uncertainty.

Dispersal does not necessarily mean whole agencies being moved. Review should consider which discrete functions of an agency might be more appropriately carried out in alternative locations.

There may be opportunities for shared functions from different agencies within one location, e.g. central services. This may also provide economies of scale.

Current telecommunications technology makes the operation and management of dispersed organisations easily achievable.

Presumption against establishment of new public sector posts within Glasgow and Edinburgh needs strengthening.

Strategic review required of all Scotland’s public sector agencies to identify which are suitable for dispersal – ‘trigger’ should not be property or lease circumstances.

Strategic review required of appropriate and priority locations within Scotland which should receive dispersed posts.

Successful case studies exist and can guide future dispersal projects.

Context
The Highlands and Islands Enterprise network (HIE) is responsible for economic and community development across a diverse geographical area which covers more than half of Scotland and is home to around 425,000 people. One of our strategic objectives, as set out in ‘A Smart, Successful Scotland – the Highlands and Islands
Dimension’, is Making Global Connections and promoting the Highlands and Islands as a globally attractive location is one of our priorities under that objective.

The economy of the Highlands and Islands has expanded and diversified in recent years, attracting many new employers and types of activity, as well as through the expansion of indigenous businesses. However, in many parts of the area, particularly the more remote, there are still limited employment opportunities. In this context, even relatively small numbers of stable, public sector jobs (10 – 20) can have a very significant impact. The relocation of public sector jobs is, therefore, of major importance to the HIE Network.

Public sector jobs dispersal
Public sector jobs dispersal provides an opportunity to bring the benefits of this type of employment to as many communities as possible, including our more remote and fragile communities. Dispersal can take a number of forms:

New agencies
Complete dispersal of an existing agency
Dispersal of discrete functions to alternative locations
Shared functions of different agencies within one location

Current telecommunications technology makes the operation and management of a dispersed, multi-location organisation easily achievable as the example of the HIE Network outlined later in this paper, and the particular case study of HIE’s Data Centre in Benbecula, illustrate.

However, a clearly defined policy to reverse the concentration of public sector jobs is required. The presumption against the creation of new public sector posts within central belt must also be reinforced.

Strategic review of agencies and functions
There must be a systematic and strategic review of all public sector agencies to identify those functions which could be relocated. There should be a presumption in that review that all but essential functions will be moved out of Glasgow and Edinburgh into appropriate locations which better reflect each agency’s remit or the tasks being carried out.

The current trigger for an agency to consider relocation seems to be when it reaches a ‘break point’ within its property lease. The driver for dispersal should be founded on a more strategic basis than an agency's property circumstances. The adoption of such a strategic review, with clearly set out criteria, objectives, and timetable, would introduce transparency into the process and would go some way to minimising the uncertainty which can be a feature of relocations. Both staff and management would know the criteria being used to assess potential relocations, including the timescales involved.

Relocation must be the right and appropriate option for the agencies concerned and there will clearly be occasions when the preferred option will be the retention of a central belt location - for key functions at least.

Strategic review of preferred/target locations
There should also be a strategic review of preferred locations, including identifying those areas which would benefit most from the employment opportunities, or which would provide the best match with the functions being dispersed.

The current practice, of highlighting agencies which are considering a move and allowing the 'regions' to prepare bids to sell their own locations, is inefficient. Without guidance as to which areas are more appropriate, every regional development body or local authority may feel compelled to prepare a bid on every occasion – most of which will be unsuccessful. A strategic review which identified preferred locations would permit a focussed 'short leet' to be prepared and minimise the wasted marketing effort from those areas which have very little chance of success.

Jobs dispersal in the HIE Network
The HIE Network has many of its posts and much of its decision-making responsibility dispersed within the local areas of the Highlands and Islands. Currently 43% of the Network’s 416 staff are based within the core body in Inverness, with the remaining 57% based locally within our ten local enterprise companies, at the Network Data Centre at Benbecula in the Western Isles and at the Scottish Land Unit office at Auchtertyre, near Kyle. In addition, of 138 Careers Scotland staff now added to the Network’s staff complement, only 8 are located within the core office in Inverness, with the remainder dispersed throughout the Highlands and Islands.

In 2001 the HIE Network decided to establish a service centre in Benbecula to provide a range of financial administration back-office services to the Network. This was part of a package of measures designed to improve the efficiency, effectiveness and value for money of HIE’s service delivery and included the relocation of the HIE core to new offices in Inverness.

The establishment of the HIE Network Data Centre at Lionacleit, Benbecula demonstrates that jobs dispersal from an urban centre to a remote rural area, using advanced telecommunications, is feasible and affordable. Full details are set out in the case study in the Appendix to this paper.

Highlands and Islands Enterprise
April 2004
APPENDIX

Case study: HIE Network Data Centre, Taigh Cheann a Locha, Lionacleit, Benbecula.

The establishment of a Service Centre in a remote rural area to provide a range of financial back-office services to the HIE Network.

Options appraisal exercise:

A detailed options appraisal was carried out to investigate the costs and benefits associated with a number of service centre locations in the Highlands and Islands. The basis for the options appraisal was the guidance outlined in the HM Treasury’s document ‘Economic Appraisal in Government Departments’ (The Green Book). Appraisal techniques used were as follows:

1. Ongoing assessment of the organisation’s critical factors, including project objectives and assessment criteria as outlined below:
   - Impact on priority areas;
   - Standard of telecommunications;
   - Availability of appropriate skills and housing;
   - Accessibility via local transport for staff and clients;
   - Accessibility for HIE line management;
   - Standard of office accommodation available;
   - Existing dispersal of Network posts to area.

2. Identification of potential locations based on the approach detailed in the Civil Service dispersal paper.

3. Sifting process to establish a short-list of five broad options.

4. Preparation of a whole-life discounted cash flow for each of the options involving all project costs.

5. Comparison of the costs and benefits to reach the initial preferred solution.

The first round of analysis established Inverness to be the key strategic location for HIE core activities. However, the Inverness location failed to deliver an acceptable level of impact on the HIE Network priority areas. Consequently, a refined option encompassing a Service Centre located in an island situation was developed. This option, combining a new core office in Inverness and a Service Centre on an island, was identified as the preferred and recommended solution to the HIE core accommodation needs.

Lionacleit in Benbecula was identified as the preferred location for the development of the Centre, having assessed five options across the Highlands and Islands (Inverness, east of Inverness, Easter Ross, far Highland and an island location). A socio-economic overview was undertaken to complement the cost-benefit analysis undertaken by the Network.
What did the transition process involve?
The development of the Lioncleit Data Centre required co-ordinated planning and implementation. In the summer of 2001, a project team was established to plan and implement the transitional process. It comprised staff from the HIE core (Finance Services, Information Systems, Internal Audit), together with the newly appointed Data Centre Manager and a Western Isles Enterprise representative.

The project team planned and undertook a range of tasks, including designing and re-engineering procedures and processes; identifying the precise functions and activities to be carried out at the Centre; piloting procedures and processes; defining staff roles at the Centre; specifying and developing the required information systems; and communicating with all HIE Network staff about the project.

No recruitment problems were encountered for the posts at the Centre. Recruitment advertising began in August 2001 and a full staff complement of 22 was achieved, twenty of which are full-time equivalents. The majority of the staff already lived in the Uists, with the remainder attracted to the jobs they applied for by the quality of life in Benbecula.

From the decision to proceed with the Centre’s development in early 2001, the building was opened in November 2001, and the Centre was operational in early 2002. From start to finish, this proved to be a very speedy development.

Positive impact on the local community
The development and operation of the centre has had a range of positive impacts on the local community including:

A local building company undertook the construction of the office unit.

The Centre has generated over £300,000 in wages per year for the local economy;

It is estimated that the development of the centre created 37.5 FTEs (full-time equivalents) in the Highlands and Islands economy;

The Centre has generated business for a range of local service providers, including the Royal Mail, Highland Airways and local hotels;

Broadening the career opportunities open to people living in a remote community.

Highlands and Islands Enterprise
April 2004