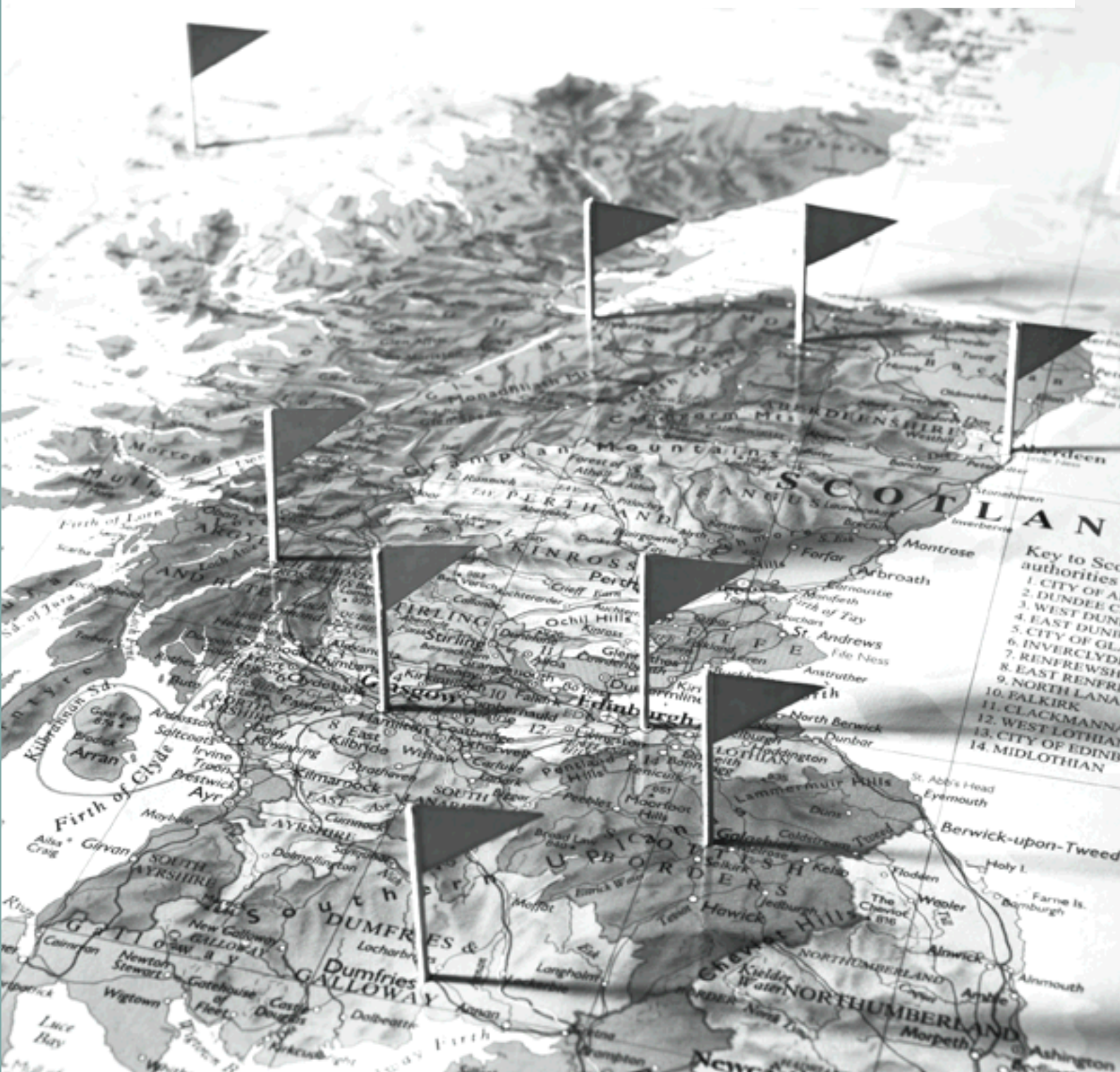


# Relocation of Scottish Executive departments, agencies and NDPBs

Key messages / 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

# Key messages

## Introduction

1. In September 1999, the Scottish Executive's relocation policy was 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.<sup>1</sup>

2. In October 2002, an additional strand of the policy – the Small Units Initiative (SUI) – was introduced to bring the benefits of public sector employment to fragile rural communities.

3. Relocation can be considered for any part of the Executive's departments, agencies and non-departmental public bodies (NDPBs) throughout Scotland. Around 34,000 staff (one per cent of the employed population in Scotland) work for these bodies.

4. There are three 'triggers' for considering a location or relocation:

- When the Executive establishes a new unit, agency or public body.
- Where an existing organisation is merged or otherwise reorganised.
- Where a significant property break is reached – for example, the termination of an existing lease.

In all cases, this should result in a location review, with a presumption against Edinburgh for new or reorganised bodies, and ministers decide on the final location.

5. The current review process provides ministers with an initial list of locations that meet relocation objectives. From this list, ministers identify a shortlist of locations that are then subject to full appraisal by the organisation. The final location selected by ministers should be based on the results of the full appraisals.

6. At May 2006, the locations for 38 public bodies, involving some 4,681 staff, have been, or are being, reviewed. Of these, 28 bodies (with 2,833 staff) have been (or will be) either relocated or established outside Edinburgh.

## The study

7. Audit Scotland has examined the implementation of the relocation policy objectives. We reviewed the process and management of the location and relocation of public sector organisations and evidence about the impact of such relocations. We:

- interviewed the relocation policy team at the Scottish Executive
- conducted 12 case studies of relocations, including two under the SUI
- reviewed the guidance issued to organisations and compared this to other relocation guidance available
- liaised with the Office of Government Commerce to understand relocation policy and practice at a UK level.

## Key findings

**1 Relocation has resulted in 1,653 posts being transferred from Edinburgh and a further 1,164 posts being established outside the city. Most posts were moved to Glasgow**

8. The Executive estimates that around 34,000 posts (six per cent of public sector employees) are covered by the policy and that around 67 per cent of the eligible posts are located outside Edinburgh.

9. The Executive has not set any targets for the number of posts to be relocated or established, and it has not issued any priorities for specific geographical areas of the country expected to benefit from the policy.

10. Of the 4,681 posts reviewed, 1,669 have either been relocated or the final location has been decided. All but 16 of these posts were originally located in Edinburgh. New or reorganised organisations have resulted in a further 1,164 posts being located throughout Scotland. Nearly 60 per cent of the posts relocated from Edinburgh have been or will be located in Glasgow. Distribution of posts is shown in Exhibit 1.

11. The Executive estimates that a further 20 reviews will be announced in the next five years.



## 2 There is some limited evidence of efficiency gains from relocation, but wider benefits have not been measured

**12.** Improved efficiency can be measured in a variety of ways. We found some evidence of operational gains, such as improved staff turnover and reductions in sick absence levels in specific relocations. But evidence of improvements in efficiencies, such as improved unit costs, was not available.

**13.** Wider socio-economic gains have also yet to be measured, though we did find one case where the local enterprise company and the local authority had commissioned consultants to undertake evaluation.

## 3 The Executive has plans to evaluate the impact of the policy but little has been done to date. We estimate that impacts range between a saving of £33,000 per job to a cost of £45,000 per job

**14.** Neither the Executive centrally, nor individual organisations have attempted to evaluate whether relocation objectives have been met or if value for money has been achieved.

**15.** It is not clear that the additional cost of relocating public sector bodies has been assessed at either the local or national level. For this reason, it is difficult to determine whether relocations to date have, or will, provide value for money.

**16.** It is unclear from the Executive's guidance what specific improvements organisations should be seeking and over what time period these should be achieved.

**17.** Cost per job can provide a useful tool to assess value for money. Only one of the organisations we examined had calculated a figure for cost per job, although the current guidance does recommend that the economic cost per job is considered.

**18.** Our estimates show significant variation in individual relocations, ranging from a saving of £33,000 per job to a cost of £45,000 per job.

**19.** The Executive has plans to improve evaluation arrangements. At the finance committee meeting in December 2005, the minister indicated that the plans involved three strands:

- An analysis of the benefits.
- Benchmarking of decisions.
- A comparative international study, focusing on policy.

## 4 Triggers for reviews are not linked directly to policy objectives

**20.** Reviews require significant investment and can disrupt business operations by diverting management and staff time from core activities.

**21.** Our analysis found that only two of 38 reviews arose from potential efficiency improvements identified in organisations' business plans. Five reviews came under the SUI and a further 11 related to new organisations; the remaining 20 arose from changes in status or structure, or lease breaks.

**22.** Individual reviews often resulted in the same locations appearing on shortlists.

## 5 Improved coordination and guidance should reduce inconsistencies in approach and long lead times for decision making

**23.** Initially, individual organisations were responsible for undertaking all aspects of the review, with little coordinated central support and guidance. The Executive offered informal guidance on the review process but this was not formalised in a published guide until June 2005.

**24.** From our case studies, we found wide variation in the time taken for individual organisations or units to complete reviews and in the time taken for ministers to reach a decision on the reviews ([Exhibit 2, overleaf](#)).

**25.** In nine of the 12 cases we examined, new objectives were set late in the process so that organisations were required to revisit proposals to accommodate factors such as:

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

**26.** Ministerial decisions in three of the 12 cases we examined differed from the top option identified by the organisation.

**27.** In Autumn 2004, the Executive strengthened its central relocation support team to share relocation experience and expertise, to ensure greater consistency in approach and to work more closely with relocating organisations.

## Exhibit 2

Time taken from announcement of review until decision on location announced

The time taken has ranged from six months to 34 months.

Organisation	Months elapsed
Scottish Building Standards Agency	6
Office of the Scottish Charity Regulator	6
SE Inquiry Reporter's Unit	7
Scottish Public Pensions Agency	12
Accountant in Bankruptcy	12
VisitScotland	12
Scottish Natural Heritage	16
NHS Central Register	20
Her Majesty's Inspectorate of Education	24
Crofting House Grant Scheme	25
NHS Education for Scotland	30
Learning and Teaching Scotland	34

Source: Audit Scotland

**28.** The team is expected to learn from the earlier relocations and identify and pass on best practice to organisations currently being considered.

that many staff may choose not to relocate, requiring the organisation to recruit and train significant numbers of staff in the new location.

### 6 Organisations that have relocated planned and managed the process well but incurred significant costs

**29.** Individual relocations have been well managed at the organisation level:

- Project teams have been established and include all relevant (eg, HR, finance).
- There is evidence of planning and risk management.
- Staff were consulted, engaged and supported.

**30.** In six of the 12 case studies reviewed, where an existing organisation was relocating, parallel running of services in Edinburgh has taken place. The need for parallel running reflects the time taken to complete relocation and the fact

### Summary of key recommendations

**31.** The Executive should:

- compile a database of suitable locations and properties and consider prioritising locations
- consider the potential adverse impact on other public sector organisations not directly involved in the relocation, such as local authorities, or other organisations whose staff leave to join the relocated organisation
- ensure measures of success are clearly defined and develop plans for monitoring, evaluating and reporting outcomes

- provide clear guidance, including the criteria and weightings to be used, at the outset of any review
- ensure organisations engage staff from the outset
- make clear the reasons for choosing particular locations over others on shortlists.

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