

Restricted: Management

Relocation – Options

Background

1. Following the announcement by Mr Finnie on SNH relocation to Inverness (**Annex A**), the Board have sought further information on how the decision was made and what information was available to Ministers when they made the decision (**Annex B**). Indications from Mr Finnie to date (**Annex C**), are that the only additional information available was the two pages of tabular data held in SPICE (**Annex D**). The CEO has sought a “Direction” from the Board but it was decided at the special Board meeting on 24 April that such a “Direction” could not be given and the CEO was given formal notice of this decision (**Annex E**). At that Board meeting it was agreed that management should “...work up a paper covering a variety of less damaging relocation options for the Board to consider at their meeting on 20 May...” (**Annex F**). These options were for the Board to consider in order to agree a line to take when the meeting requested with the new SEERAD Minister takes place.
2. Following the election, some Board members and the CEO have had the opportunity to discuss relocation with Mike Pringle, MSP and Sarah Boyack, MSP. The meeting with Sarah Boyack followed notice of her Parliamentary motion to reconsider the decision on SNH relocation, sponsored by PCS and Prospect and supported by Susan Deacon, MSP (**Annex G**). This motion is gaining some cross-party support from other MSPs but it is expected that a contrary motion will be put forward by Maureen Macmillan, MSP.
3. It is also relevant, that before the election, it had been suggested in the media that Mr Finnie might relinquish his ministerial position to become the Presiding Officer. However, he has not been appointed to this position and it therefore remains possible that he could return to his previous position in the Cabinet. It is worthy of note that during the pre-election period the Liberal Democrat party were actively distancing Mr Finnie from the decision to relocate SNH to Inverness. In addition, letters were received by members of staff from MSPs that categorically state that the decision given was not that of Mr Finnie and it has been reported in the media that Mike Pringle, MSP has stated that “...Mr Finnie is ready to review the relocation decision...”

Introduction

4. Following extensive discussion between members of MT, the Chairman and MSPs, the Board requirement has been modified, in agreement with the Chairman. This modification has two drivers:

- Advice from politicians is that now is not the time to offer compromise options to the new Minister.
- The realisation that it is difficult to propose a compromise option that is clearly “less bad” than the existing decision, other than in the short term.

Discussion

5. This second point on the difficulty of proposing “less bad” options follows from the explanation given by Mr Finnie in his letters of 21 March (**Annex A**) and 10 April (**Annex C**). He accepts that the Inverness decision was “...not the cheapest of those under consideration...” and might be “...difficult and controversial...”. However, he goes on to make the points that:

- “...the longer term advantages of co-location away from the pressures of the overheated Edinburgh labour market will make for a very positive future for SNH.”
- It is accepted that there may be a “...negative impact on short term business efficiency...”
- “With over 200 staff in the Highlands and Islands and around 50 HQ staff already in Inverness, we take the view that there must be long term potential benefits and synergies for the organisation from relocation to Inverness.”
- “...in the light of the profile and nature of SNH’s work there is a strong argument for a Highland location for its main Headquarters.”

In addition, in a letter to John Don, SLF, he makes a similar but marginally different statement that “We took the view that there should be substantial long term efficiency gains from SNH operating in a single HQ outwith the extremely competitive Edinburgh labour market. In addition, due to the profile and nature of its work, SNH is a better candidate than other organisations for relocation to the Highlands.”

6. It follows from this, that any compromise proposal or “half-way-house” will be expected to demonstrate that the benefits, long and medium-term envisaged by Ministers and outlined above must be at least preserved and preferably improved, while the short-term negative impacts must not be made worse.
7. At the Board meeting on 24 April, there was a view that some SNH functions currently delivered from Edinburgh would probably have to move to Inverness and therefore, the type of compromise, or “less-bad” option that was being considered focused on what it might be possible to retain in Edinburgh. It is quite clear that if we are able to retain some

staff in Edinburgh (or nearby) then the short term impact on efficiency can be reduced (staff losses will be reduced). However, the long-term efficiencies associated with a combined HQ, which are, in effect, the principle benefits envisaged by Ministers, would also be reduced. It is therefore difficult to see how Ministers could accept this position and it is equally difficult for us to justify the compromise option as we would have to demonstrate how the short term benefit of retaining more staff outweighed the long-term benefit of improved efficiency resulting from full co-location of HQ staff. The logic of the Minister's position might therefore be seen as pointing towards relocation to a single site outside Edinburgh. The question that remains therefore is "Why Inverness?" when there were alternative cheaper and less damaging options available from the DTZ study.

8. To deal with the other key point, we have made it clear that we do not accept that our work and profile make a strong argument for a Highland location for SNH HQ staff and the Minister has made it clear that he disagrees. We have concerns about our ability to recruit and retain staff in Inverness and about the effect on our relationship with key customers and partners in the central belt. It is perhaps not so easy for us to disagree with the view that SNH is a better candidate than other organisations for relocation to the Highlands- clearly this depends on which other organisations are being considered.
9. It is therefore apparent that, at this stage, we have to take a different approach and it seems clear that what we need to do is to smoke-out out what flexibility there might be within the new administration, to change the extant decision to relocate all SNH functions currently based in Edinburgh to Inverness by 31 March 2005.
10. It is pertinent at this point, to recognise that we have had no communication with Ministers since the First Minister made his impromptu remarks, that in undertaking this relocation, there would be no requirement for compulsory transfer or compulsory redundancy of any SNH staff. There is a continuing need to press for explanation of this intervention as there is no apparent way of achieving it without either:
 - Having explored the full range of voluntary options, including voluntary redundancy on compulsory terms, allowing those staff who do not wish to take any of these options, to continue to work in or close to Edinburgh, or
 - Being able to re-deploy those staff who do not wish to take any of the other options, into other public sector bodies in or close to Edinburgh, without suffering any detriment to the terms and conditions of service they enjoy within SNH. (The position on absorption of SNH staff into the Civil Service is, apparently, quite clear and is a "reserved matter")

Challenges

11. In an effort to “smoke-out” any flexibility that might be forthcoming from Ministers, it is perhaps necessary to prepare challenges to their various assertions and the following thoughts might be relevant:

a. Challenge the information on which their decision was based.

Mr Finnie claims (**Annex C**) that the information at **Annex D** represents “...a standard Net Present Value option appraisal, largely but not entirely based on the DTZ Report, testing different assumptions...” Looking at the data lodged with SPICE (**Annex D**) which is hardly a comprehensive set of data on which to base a decision of this magnitude, we broadly agree with the process outlined in the first table.

*The table represents the outcome of a series of discussions we had with SE during January and February of this year. While the figures in Row 7 differ significantly from those in Row 1, the differential between the four non-Edinburgh options remains and Inverness is the most expensive option. Looking at the second table, Row 1 replicates Row 7 from the previous table. Row 2 gives illustrative figures for a minor staff reduction and acknowledges that we do not agree with the assumption. Row 3 can be discounted as Ministers have agreed that mobility clauses will not be enforced, therefore redundancy payments have to be made available to all staff. Row 4 significantly under-estimates the likely cost of redundancy, which will be greatest in Inverness. (**Annex H**). Row 5 double counts this saving already applied at Row 6 on previous table. Row 6, indicated as illustrative, applies a higher figure for the internal travel savings based on an unknown assumption. Row 7 is based on an entirely mythical assumption. Row 8 is notable in that it is the only set of figures where Inverness does not have the highest NPV among the non-Edinburgh options, but is based on the cumulative effect of 3 other savings, none of which has any basis in fact.*

It is clear that, while it may be claimed that the figures represent sensitivity analysis or are illustrative, they do not provide any sound basis for selecting Inverness over any of the other options.

b. Long term benefits of co-location of SNH HQ staff, including those currently in Inverness. The DTZ report probably covers this point adequately. It covers options for complete relocation of all Edinburgh staff/posts to 4 different locations. Each of these options is more efficient than Inverness in the short term as they involve losing significantly fewer staff, and deliver better VFM as they are cheaper (NPVs) and retain all of the long-term benefits of a co-located HQ other than including those staff already in Inverness. In this case, the DSU (North) staff should be discounted, as there is no claimed benefit from co-locating them with other HQ staff. A subjective assessment would have to be made of the long-term dis-benefit of not co-locating the ca. 40 staff in question with the principal HQ established in West Lothian, Stirling or Perth.

c. Other long term benefits of a co-located SNH HQ other than in Inverness. There is an additional factor that we have raised regarding a co-located HQ in Perth. While it is clear that any HQ should be located in the

environs of Perth City, we believe that there would, nonetheless be considerable synergy with the staff, HQ and others, based at Battleby. As with b. above, this is a subjective assessment, but it is valid to claim benefits from the proximity of any new HQ to our main training and conference/meeting facility. This appears to have been ignored.

d. Non-financial considerations.

In his letters (**Annex A** and **Annex B**) Mr Finnie talks about "...a range of financial and non-financial factors." being taken into account and "We did indeed take into account the considerations of corporate governance and other issues mentioned in your letter." In our initial assessment we concluded that while socio-economic factors should be considered, we were not aware of any issues that were so significant that they gave any one of our preferred locations an advantage over the others. However, this assertion was made after the Board had discounted Inverness as being a viable option. Many observers have made the point since, that all of the alternate locations considered by SNH could claim a greater socio-economic need than Inverness for the additional jobs and other economic benefits a relocated HQ would deliver. This is perhaps most stark when the current situation is West Lothian is being considered. However, Ministers have not indicated what other factors were taken into account. Mr Finnie makes a number of references to the "...overheated Edinburgh labour market..." but there is no indication that this has been in any way tested against the situation in Inverness that, at least anecdotally is also "overheated", nor against an analysis of skills availability and cost in these locations.

Proposals

12. It remains important to pursue the new Minister to make clear all the criteria with supporting data on which the relocation decision was based, but it is unlikely to prove possible and is perhaps inappropriate to challenge him or her on all of the detail outlined above. We are also clear that the best position we can hope to achieve, is to get clarity on which aspects of the extant relocation decision are non-negotiable and/or, where there is scope for movement or compromise and to then be given the opportunity to propose what we believe is the best (or "least-bad") relocation option within those criteria. What we wish to avoid if there is scope for change or compromise, is the Minister or officials designing a new option that they think is best for SNH. It is unlikely that we will enjoy the luxury of being able to lay out our stall but it may be possible to engineer the discussion or approach. In this case, it would be helpful to determine whether the following issues are negotiable:

a. Inverness

- Must Inverness feature in a significant way in any relocation?
- Does a HQ have to be established in Inverness?

- Do we have complete flexibility to determine what staff/functions will be in our HQ?
- Must a significant number of posts move to Inverness (200/150/100/50/less than 50)?

b. Edinburgh

- May any posts can remain in or near Edinburgh?
- May a reasonable number of posts remain in or near Edinburgh (no compulsory redundancy)?
- May a significant number of posts remain in or near Edinburgh?

c. Properties

- Must SNH relinquish the lease on Bonnington Bond?
- May SNH lease any new property in Edinburgh?
- Must Hope Terrace be sold?

d. Timing

- Is April 2005 the deadline for all staff to be relocated?
- Must some staff have relocated by April 2005?
- May staff be relocated over time (w% by year x, y% by year z)?

13. The Board will recall that the main issue for the TUS is to avoid any form of compulsory relocation or redundancy and that their proposal is that we should offer an attractive relocation package for staff to move to Inverness and should then offer a package of voluntary redundancy on compulsory terms. Those staff who remain unwilling to relocate to Inverness or accept redundancy should be allowed to either relocate to another SNH location or remain in Edinburgh. Any residual posts in Edinburgh could be relocated over time through natural wastage. While this may meet the TUS aspirations and may have attractions for Ministers, particularly the First Minister, it does little to preserve SNH efficiency, as current predictions are that the organisation would still lose a very high proportion of experienced and business-critical staff over a relatively short (18 month) period.

Conclusion

14. We propose therefore that when Board members first meet the new Minister, they should not offer any specific compromise options. The objective of the meeting should be to:

- Seek clarity on the process used and the data considered in reaching the extant decision.
- Restate conviction that this is a bad decision for the natural heritage, the Executive, SNH and the staff.
- Outline Board and Accountable Officer concerns over regularity and propriety (and the potential interest of Audit Scotland).
- Outline the business risks perceived in this decision.
- Request that the decision should be revisited.
- Seek to identify areas where there is flexibility.
- Seek opportunity to respond to any areas of flexibility by outlining a compromise option that does least damage to SNH.

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