

SNH RELOCATION REVIEW

The table below illustrates some sensitivity tests applied to the revised NPV figures. Each line represents a separate scenario and all figures are expressed at a 3.5% discount rate.

SENSITIVITY ANALYSIS

		£m					
	Status Quo	Edinburgh	West Lothian	Perth	Stirling	Inverness	
1. Revised NPV figures	£15.344	£21.733	£20.445	£19.732	£19.904	£21.702	
2. Staff saving of 4 posts ⁶	£15.344	£21.128	£19.840	£19.127	£19.299	£21.097	
3. Non-mobile grade redundancy payments only ⁷	£15.344	£22.359	£19.541	£18.650	£18.969	£19.438	
4. Full redundancy payments ⁸	£15.344	£21.733	£21.621	£21.129	£21.170	£24.345	
5. Efficiency gains from single HQ, based on SNH visitor book ⁹	£15.344	£22.514	£21.226	£20.513	£20.685	£22.483	
6. Efficiency gains based on higher assumptions on internal travel ¹⁰	£15.344	£21.072	£19.784	£19.071	£19.243	£21.041	
7. 1% efficiency gain from locating outside Edinburgh ¹¹	£15.344	£21.733	£19.216	£18.503	£18.675	£20.473	
8. Combination of 3, 6 and 7 above ¹²	£15.344	£20.469	£17.651	£16.760	£17.079	£17.548	

⁶ SNH does not employ any security staff or cleaners and takes the view that the only area for savings would be in the messenger and reception duties. SNH is firmly of the view that only 2.2 posts could be saved but for **illustrative purposes** we have demonstrated the impact of saving 4 posts.

⁷ This assumes that SNH would only need to make redundancy payments to non-mobile grades as per the DTZ report but expressed at a 3.5% discount rate

⁸ This assumes that SNH would need to make redundancy payments to all affected staff

⁹ Staff travel time saved between 2 Edinburgh HQs at D Grade (most common grade in these offices): this is SNHs preferred method for calculating this efficiency gain.

¹⁰ Staff travel time saved between 2 Edinburgh HQs at higher level of assumptions based on staff survey for **illustrative purposes**

¹¹ Based on the assumption that there will be less pressure on salary costs and staff will be more content in other locations

¹² Combination of reducing redundancy, large assumption of travel between Edinburgh Offices and being able to demonstrate a 1% efficiency saving for **illustrative purposes**

SNH RELOCATION REVIEW

The table below starts with the original figures contained in the DTZ report and then illustrates the cumulative effects of several changes (as described below) to reflect revised central assumptions for the net cost of various options. The costs are expressed in Net Present Value (NPV) terms, ie the discounted value of a stream of costs and benefits of the options over a 30 year period.

REVISED NPV FIGURES

£m

	<u>Status Quo</u>	<u>Edinburgh</u>	<u>West Lothian</u>	<u>Perth</u>	<u>Stirling</u>	<u>Inverness</u>
1. Final DTZ report figures (6% discount factor)	£12.950	£16.666	£14.632	£14.055	£14.326	£14.297
2. Apply changes ¹ (6%)	£12.317	£17.758	£15.750	£15.182	£15.453	£15.428
3. Add in more redundancy payments ² (6%)	£12.317	£17.758	£16.654	£16.264	£16.388	£17.692
4. Final report plus applying changes ³ (3.5% discount factor)	£15.344	£22.840	£19.902	£18.809	£19.189	£19.073
5. Add in redundancy payments ² (3.5%) ie the new baseline cost	£15.344	£22.840	£20.806	£19.891	£20.124	£21.337
6. Efficiency gains from having a single HQ ⁴	£15.344	£21.693	£19.659	£18.744	£18.977	£20.190
7. Efficiency loss and additional costs from staff churn ⁵ revised NPV figures	£15.344	£21.733	£20.445	£19.732	£19.904	£21.702

¹ Opportunity cost of Hope Terrace + staff saving of 2.2 posts + increased rental charge for Bonnington of £13.50 per sq ft

² original report includes redundancy payments for non-mobile grades only: this figure reflects making redundancy payments to half of the mobile grades affected as per paragraph 7 of this submission. The figures are not discounted as they would all occur in year 0 of the appraisal period

³ this represents the figures in item 2 of the table expressed at 3.5%

⁴ Staff travel time saved between 2 Edinburgh HQs based on staff survey information on internal meetings.

⁵ Includes recruitment and training costs and efficiency losses from losing experienced staff and tying up senior staff in recruitment procedures.