

Health and Safety Executive Board Paper		HSE/07/70	
Meeting Date:	4 July 2007	FOI Status:	Fully Open
Type of Paper:	Above the line	Trim Ref:	2007/148425
Exemptions:	None		

HEALTH AND SAFETY EXECUTIVE

The HSE Board

How and Where We Work: The Way Forward

A Paper by Gordon MacDonald and John Gould

Advisor(s): Alan Clifford, Helen Stainton, Steve Miller and Rachel Russell

Cleared by Jonathan Rees on 27 June 2007

Issue

1. To decide on the strategic direction for the How and Where We Work (HWWW) Programme and next steps.

Timing

2. It is important that a clear strategic decision is taken at the 4 July meeting to: maintain momentum; enable a submission for funding to be made to DWP; to start resolving uncertainties for staff; take advantage of the buoyant London property market; and deliver savings in the SR07 period.

Recommendation

3. The Board is asked:

On headquarters:

- a. To sign up to the strategic case for a single HQ and the programme vision and organisational blueprint – see paragraphs 9-15 and Annex 1, Sections 1 & 2;

On the field side:

- b. To agree the approach for exploiting short term opportunities for savings in the field estate and mandate the Programme Board to take these forward – see paragraph 21 and Annex 1, Sections 1 & 3.2;
- c. To agree the approach to developing regional strategic property plans – paragraph 22 and Annex 1, Sections 1 & 3.2;

And following from these decisions, the Board is asked to:

- d. Agree the preferred pace of change for implementing the single HQ option –see paragraphs 16-20 and Annex 1, Section 3.1.4.4;
- e. Agree the scope of the next stage of the work and initial programme team funding - see paragraphs 24 and 31, and Annex 1, Section 6;
- f. Agree key messages for staff and note proposed communications plans – see paragraph 27-29 and Annex 2.

Background

4. In March, you asked us to develop two options for HQ: a single HQ based in Bootle and a split HQ but with a reduced Rose Court presence (the dual HQ). You also asked us to develop a new option for the field based on a case by case review of the field estate. We have done both, but not to the same level of detail. The Programme Board identified that the critical decision for July was the strategic direction for HQ. This is presented for decision. However, we have not worked through the field options to a conclusion. Instead, we have identified some opportunities for short-term savings, and developed and trialled an approach we can use to work with Divisional Directors reviewing the regional estate and identify medium term saving opportunities and longer-term strategies.
5. The initial decisions for today are:
 - a. For HQ, the strategic case for a single HQ. At this stage, the Board is being asked to set the strategic direction for HSE in terms of the extent to which it should locate more of its functions in Redgrave Court and what it should leave in London. A vision of HSE that the H&WWW programme might work towards and a high level organisational blueprint for delivering it are at annex 1, section 2. There is further work to do, but first we require the Board to set the strategic destination. (At the Programme Board's request, annex 3 reflects, for illustrative purposes, feedback to date on what functions might move to Redgrave Court.)
 - b. For the field, how far and how fast we pursue the opportunities for reducing estate costs in the short term; and an approach for developing strategies for the medium to long term.
6. These decisions are being made against the backdrop of the HSE Trades Unions' opposition to the principles of HWWW and their early application. In particular, the TUs are unhappy about moves from Rose Court to Redgrave Court and office closures, and are concerned about hot desking. They have been consulted on the way ahead following the Board's discussion in March and are providing a written submission with their views – this will be circulated as soon as it is received ahead of 4 July for the Board's consideration. They will be sharing their views with the HSC on 17 July. As previously reported, there is understandable anxiety amongst staff likely to be affected, particularly in Rose Court, and this has grown since we last reported.
7. The Board will be under no illusions that this will be a difficult change that once embarked on will need to be seen through, and that staff will need to be very well supported through the process. Among other things, this means that it is even more important to get senior managers aligned behind decisions and to follow this through with persistent and consistent messages about why the work is necessary for the future of the organisation.

Argument

8. In essence, you want to save money, improve collaboration, flexibility, career development and the working environment. These aims apply equally to both HQ and the field, but play out differently in our analysis of the options for the way forward. The following paragraphs summarise the key issues and conclusions. The detail is contained in the Business Case at Annex 1, with a summary of the options and costs in the executive summary. The cost and benefit ranges represent our best estimates at this stage. But the overall NPV is very robust, as the thresholds greatly exceed the recommended thresholds for sensitivity testing.

The HQ Options

9. On strategic, economic and financial grounds, a single Bootle HQ emerges as the preferred option, with only functions in London that cannot be done from elsewhere. The key factors in this assessment are: this option does more to take forward the aims of the HWWW Programme; presents the best balance between costs, risks and benefits; and although on present assumptions¹, it requires around £22m of investment, it provides a higher net return overall - some £25m – 35m depending on the pace of implementation². Crucially, it also maximises the opportunity for developing strong relationships, mutual understanding and joined up working across different parts of HSE. But it comes with risks.
10. Identifying the key risks is a matter of judgement and so far our research has been confined to internal discussions. We will seek to engage external stakeholders in due course, and extend our research with OGDs. Predicated on the existing business model, there is broad consensus that there are six key risks:
- a. Loss of influence in Whitehall and with key stakeholders based in London;
 - b. Loss of skills and capacity, particularly in areas such as policy, legal and the social sciences (principally economists);
 - c. HSE cannot get sufficient new talent to refresh the organisation if the supply lines do not exist in the North West;
 - d. Increased levels of stress amongst staff affected by the decision to relocate posts to Bootle;
 - e. As a consequence of the above, DWP assume a larger role in the development of health and safety policy;
 - f. A negative impact on HSE's diversity profile and differentially adverse outcomes for staff in different diversity groups (see paragraphs 11 & 12 below).

These internal discussions also identified ways of significantly reducing the impact of these risks:

- a. More systematic planning of stakeholder engagement;
- b. Working to adjust stakeholder expectations;
- c. Creating a small intelligence gathering and representational role in London;
- d. Identifying and developing relationships with the public sector in the north west for the purposes of interchange;
- e. Good support arrangements for staff;
- f. Refreshing our approach to growing our own talent.

¹ The assumptions on which the costs are based cover a wide range of issues. For some assumptions (e.g., the cost of refurbishing office space) there is a reasonable body of evidence on which to base costs. Others are simply anchor points for the financial appraisal because it is impossible to say with any certainty what the reality will be - for example how staff will react in the face of any relocation. The Financial Case therefore includes a sensitivity analysis which shows that costs will have to rise by 152% for the case to reach breaking point.

² The Business Case contains three timescales for implementation of 1, 2 and 4 years. The one year approach offers the greatest rate of return at around £35m; two years delivers £33m; and 4 years, £25m.

11. On **diversity**, a summary of the equity impact assessment (EIA) to date is included at Annex 1, section 3.1.4. The first purpose of the equality impact assessment (EIA) is to assess the HWWW relocation proposals for their impact on staff by virtue of race, disability, gender or gender alignment, sexual orientation, religion or belief and age. The second purpose is to identify and consider actions to remove, reduce or mitigate any adverse outcomes, wherever reasonable and practicable.
12. The broad conclusions at this stage are that relocating a number of posts to Bootle will almost certainly reduce levels of representation in most diversity minority groups. HSE will need to redefine its diversity strategy. There will be some adverse outcomes for staff across all diversity groups. To mitigate these outcomes HSE will need to provide advice, guidance and support to staff and their partners about living and working on Merseyside; or help staff to find alternative employment in London. Further consultation and the development of proposals under the EIA will be required, after strategic decisions are taken by the Board.
13. Finally, in the context of risks, it is worth noting that setting up a single HQ will not in itself realise the benefits, including those related to greater collaboration – these will also need to be actively managed in the context of the benefits realisation strategy (e.g. HR and career support functions).

Do you agree that these are the key risks and that the mitigations will help and are achievable?

14. Some SCS perceive these risks to be more relevant to some parts of the business than others. For instance, some policy functions that have frequent contact with OGDs and those specialists, such as lawyers and economists, where the main labour markets are in London. Early analysis of the NW labour market is included in the business case (within section 3.1.4). However an alternative mitigation would be to leave some of these functions in London.
15. This would be a less radical change than the single HQ. We have modelled this alternative in the business case as the dual HQ model; it would not deliver the same level of benefits the single HQ. Our assumption is that it would involve retaining about half of the planned HQ posts in Rose Court (around 170). Depending on the pace of implementation, this would reduce investment costs to around £12m and provide a net return over the ten-year period of £18m - 20m.

Do you agree the single HQ, vision and blueprint as the way forward for HSE?

16. If the Board agree that a single HQ represents the best strategic option for HSE, the next questions are about how we achieve it and over what period. There are four related issues: our ability to fund the necessary investment; whether we have the skills and capacity to deliver the change; the amount of change that HSE can take on at any one time; and the risk to effective business delivery.
17. The business case examines three different funding options – and tied to this, three different timescales – for implementing the Single HQ (see section 3.1.4.4). For the purposes of providing a baseline, we have assumed a start date for each of April 2008. These options, or delivery approaches are:

Option A assumes that the full cost of implementation would be met with additional resources (most likely from the DWP Modernisation fund). On this basis it would be

possible to meet the costs of the option in one year, and a single HQ could be delivered by March 09.

Option B assumes £10m additional resources with the remaining costs being met from HSE's existing funds (£4m) and the reinvestment of savings from early in the project. On this basis, the costs of the option could be met within two years, and a single HQ could be completed by March 2010.

Option C assumes that HSE has to fund the total investment from within its own resources. Assuming that £4m per year was available and that all savings could be recycled to fund future investment, it would take four years to meet the total cost of delivering a single HQ. This could deliver a single HQ by March 2012.

18. Assuming funding is not an issue, the decision boils down to a judgement about the optimum balance of the following factors:

- a. speed (and therefore access to benefits);
- b. senior management focus and energy;
- c. ability to plan, manage and execute the change with a minimum of risk;
- d. providing staff with sufficient time to consider the options available to them and to plan their future, and putting in place HR systems to support them;
- e. minimising business disruption;
- f. the need to reduce estates costs quickly;
- g. the marketability of Rose Court, which will decline the closer we get to the lease break in 2013;
- h. time to plan and deliver the changes to the physical layout in Redgrave Court to accommodate new posts.

19. Concerns have been raised about the enforceability of the mobility clause in HSE staff contracts. Counsel's advice is that it is enforceable, providing HSE applies it in a proportionate manner and complies with equality legislation. Whether or not HSE chooses to invoke the mobility clause is a policy decision that will need to be made in more detailed discussions on implementation. But we think it is important for the Board to consider on 4 July what signal it wants to send.

20. Our conclusion is that Option B provides the optimum balance, being both practicable and delivering early enough returns on the up front investment. **Do you agree?**

The Field

21. There are opportunities for short term savings to be made from the field whilst keeping options open for more radical change in the future. These opportunities arise in the main from sub-letting. There are some opportunities that present minimal risk to HSE's business as there is potential to sub-let surplus space now; some involving an element of hot-desking in order to achieve the required space for sub-let; and some opportunities that present a higher degree of risk as they entail office closures and re-location. These have been assessed on paper and for commercial marketability; we need to discuss the business impacts with Regional Directors and the TUs. If all of these short-term opportunities were to materialise these would produce an NPV of some £19m for an investment of around £2.5m.

Do the Board wish to mandate the HWWW programme board to explore fully these short term opportunities and realise the benefits where practicable?

22. We have also developed a framework for assessing the medium to long term opportunities for rationalising the estate and working towards H&WWW aims (see Annex 1, Section 3.2). The next step would be to work with RDs and the TUs in the coming months to produce strategic plans for the regional estate and report back to the Board by the end of the year. However, because this wider strategic approach entails looking at the future of all of our local offices it comes at the risk of creating uncertainty for staff across right across the field (including in areas where any change may not materialise for some time), and will stretch our change capacity to work on all fronts.

Do the Board also want us to also take forward this work and to this timeframe?

Managing Change

23. If you agree to these proposals, this will add substantially to HSE's change portfolio. In planning for HWWW, we will need to recognise that there are linkages and dependencies with other work (e.g. single point of entry) we will have to manage. There is also the risk that taking on any other substantial initiatives might over stretch our capacity to deliver and give managers and staff more change than they can reasonably cope with.

Programme Governance

24. To manage the change well, there will need to be clear programme governance arrangements appropriate to the next stage of the work. Current arrangements are at Annex 1, section 6. For future arrangements to work well, it is essential that there is a clear understanding of the relationship between the Programme Board and the HSE Board. The initial programme team resource requirements are summarised in paragraph 31 of this paper.

Do you agree the resource requirements and how do propose these should be met?

Next Steps

25. Assuming you agree to the recommendations made in this paper, the next steps include:

- Over the next week:
 - tell staff, staff networks and the Trade Unions where we have got to;
 - update HSC and Ministers on the outcomes of this meeting;
- Over the next month:
 - agree and implement next stage governance arrangements;
 - finalise detailed plans for the next phase of the programme ;
 - commission a Gate 0 review of the programme;
- Over the next three months:
 - develop the organisational blueprint;
 - develop support packages for staff;
 - prepare a submission and Business Case for access to the DWP Modernisation fund;
 - Work with Divisional Directors on opportunities for short term property savings and on Regional Strategic Property Plans;
 - Initial external stakeholder management.

We want to be in a position to seek the Commission's agreement to the decision at one of their autumn meetings, but will clearly need to discuss this with the new Chair.

Consultation

26. We have consulted:

- HSE TUs through the joint management TU consultative committee;
- PFPD on the financial aspects of the business case and the resource implications of the Programme;
- The SCS, through one to one discussions and a leadership event;
- DWP on funding possibilities;
- HSC on the need for and direction of the work;
- Lord McKenzie has been briefed;
- Staff networks, and staff more generally from feedback from meetings, emails etc.

Presentation

27. This is a programme of relevance to all staff and of concern to most. We have a communications plan which we will implement. The immediate steps will be to put out a message to all staff summarising the decisions made. If the Board agrees the recommendations, suggested key messages, actions and timeline are at annex 2. Jonathan Rees will hold a session for all staff in Rose Court, we suggest a Board member does the same for Redgrave Court and that Sandra Caldwell considers how decisions on the field options are communicated.

28. Up to now there has been a joint management/TU side consultative group on HWWW chaired by Vivienne Dews, envisaged as the main negotiating forum as work moves towards implementation.

29. We will brief HSC and Ministers on the outcomes of this Board meeting. There will be an oral briefing for HSC on 17 July prior to their meeting with the HSE TUs.

Costs and Benefits

30. The costs and benefits of the preferred options are in the business case.

Financial/Resource Implications for HSE

31. Annex 1, Section 6 sets out an estimate of the central team required to take the Programme forward. This team will need to be in place as soon after the 4 July as possible, but realistically, this is unlikely to happen before the beginning of August. The cost of the team is estimated at £310k per annum. Some of this resource is already in RPD/BSD budgets but this will leave a shortfall of some £192k.

32. In addition the Programme will require extensive support from HRD, BSD/BEU and Estates Management and there is likely to be an impact on the work of PFPD in terms of providing advice and processing expenses claims from staff. For HRD and PFPD it is difficult to estimate with any precision what the impact of the Programme will be or when this will occur. There are still some policy issues to be decided and we need to do the detailed planning based on your decision about both the preferred way forward and the delivery option. However, we have shared with HRD and PFPD the assumptions we have made about the rate at which posts will move under each of the delivery options to help their initial planning. It is likely that HR will want to appoint an external agency to provide staff with relocation or redeployment support.

Environmental Implications

33. An environmental impact assessment of a move to a single HQ in Bootle has been commissioned from independent experts and should be available by the time of the 4 July Board meeting.

Other Implications

34. None.

Action

35. The Board is asked:

On headquarters:

- a. To sign up to the strategic case for a single HQ and the programme vision and organisational blueprint – see paragraphs 9-15 and Annex 1, Sections 1 & 2;

On the field side:

- b. To agree the approach for exploiting short term opportunities for savings in the field estate and mandate the Programme Board to take these forward – see paragraph 21 and Annex 1, Sections 1 & 3.2;
- c. To agree the approach to developing regional strategic property plans – paragraph 22 and Annex 1, Sections 1 & 3.2;

And following from these decisions, the Board is asked to:

- d. Agree the preferred pace of change for implementing the single HQ option –see paragraphs 16-20 and Annex 1, Section 3.1.4.4;
- e. Agree the scope of the next stage of the work and initial programme team funding - see paragraphs 24 and 31, and Annex 1, Section 6;
- f. Agree key messages for staff and note proposed communications plans – see paragraph 27 and Annex 2.

HWWW Key Message

NB: If the recommended options are agreed, we suggest the following messages, actions and timelines.

- The Board agreed proposals for a single HQ, based at Redgrave Court, and after further work over the summer, this will be put to the Commission who will take the final decision in the autumn.
- It also decided on the need to look at its regional estate to secure savings and efficiency while maintaining a nationwide network of offices.
- The Board's decision was taken on the basis of a robust business case developed by the How and Where We Work project.
- For reasons of cost and business efficiency, we cannot afford to continue to operate two separate HQs. The benefits of a single HQ will include gross cost savings to HSE in the region of £55m-£67m over ten years, better information sharing, improved collaboration, and more career development opportunities.
- This does not affect the operational staff in the London region of FOD and Construction. Other than this, a small non operational presence will be retained in London where there is a business need.
- The speed at which we do this will depend on what funding can be secured from DWP's Modernisation Fund, but (all things being equal) we would hope to complete the move within two years of the final decision and clarification of funding. We will explore funding and work through implementation issues with TU colleagues and London staff over the summer before putting the final proposal to the Commission.
- We recognise that this decision will not be popular with most staff in Rose Court who are concerned about what it will mean for their future in HSE. We will of course support people through this change.
- The best way to address these anxieties is to continue to communicate in an open and honest way as we take decisions. We will continue to do this.
- Jonathan Rees and Geoffrey Podger have agreed that a sub-group of the Board will be set up, led by Geoffrey, to oversee the implementation of the final proposals.

Key Comms Methods / Draft Timeline

Audience	Activity/mechanism	Timing	Owner	Approval
Board and SCS	Board Paper – on a personal basis	27/28 June	PB	RR
HSE TUs	Briefing meeting on decision	04/07 4PM	VMD	JR
All staff	Global email from GP and JR	04/07 By c.o.p	GP	
Anne McGuire, Lord Mckenzie and HSC	HSE Summer Evening Reception at Parliament – Dawn Waterman preparing brief on key health and safety issues, to include line following Board discussion on HWWW.	04/07/07	DW/ RR / CD	
HSC	Copy of GP's message to staff and Board Paper	04/07/07	RR	GP
Press Office	POB prepared and okayed Regular contact as story breaks	05/07 EARLY AM – latest Daily	HM/ Press Office HM/Pre ss Officer	RR/GM/ CD Allison Potter- Drake
SCS	Q and A for talking to staff	5/07/07 AM	HM/RR	GP
All London staff	Face to face briefing and Q & A session. Chaired by JR. Invitation out by 29/6.	Thursday 5/7 10AM	JR/HM	GP

All staff	e-express – announcement and link to News Centre and HWWW intranet pages including GP’s message and link to Board Paper	9/7	HM	RR
All Field staff	Additional comm for cascade via X on x July	9/7 onwards	HM / SC	
All Redgrave Court staff	Briefing and Q and A by Board Member	10 or 11/07/07 tbc	HM/ JJ	GM / RR
HSC and TUs	JR verbal update to HSC, and HSE TUs discussion with HSC	17/07/07	JR	
National TUs	HWWW subcommittee meeting with HSE TUs	20/07/07	VMD	GM/RR
All staff	e-express – further mop up announcement with HR links	23/7	HM / RR	Gaynor Coldrick / GP and Board

HSE's London presence under the Single HQ Option: An illustration

If the Board agree to the Single HQ option, the working assumption is that the vast majority of non-operational posts presently based in Rose Court will move to Redgrave Court; and that only those posts which are both business critical and which cannot be done from elsewhere will be retained in London.

Based on the limited research we have done so far and for illustrative purposes only, those functions to be moved from Rose Court could include:

- The Chief Executive, HSC, Secretariat and associated support;
- Communications Directorate, including the Press Office;
- All RPD functions with the exception of those providing essential building specific services which cannot be done from elsewhere, such as messengers;
- All HID functions;
- Programmes and other policy functions where frequent face to face contact with other organisations in London is not an essential characteristic of the work;
- ND Policy;
- Local Authority Unit;
- Other miscellaneous functions based in Rose Court such as HSL.

Again for illustrative purposes only, candidate functions to be considered for retention in London could include:

- The Legal Advisors Office;
- Economists and other social scientists (although for labour market reasons, this may be temporary, to allow for a longer period of transition);
- Essential outward-facing, London-centric policy functions;

It is assumed that the FOD London field force remain in London.

The Board will also need to consider where sector staff should be located.