

# Health & Safety Executive

## Outline Business Case for the

### How & Where We Work Programme

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# 1 Introduction

## 1.1 Current Position

HSE is responsible for enforcing health and safety legislation throughout Great Britain. It employs approximately 3,200 staff and works from a network of offices spread throughout England, Scotland and Wales. This network presently consists of: 2 HQ buildings, one in Redgrave Court, Bootle and the other in Rose Court London; a network of 27 occupied field offices spread across England, Wales and Scotland; the HSL Laboratory site in Buxton; recently vacated offices where HSE still has lease liabilities. These include the remnants of the old Bootle estate (some floors in Daniel House and the whole of St Peter's House) and an office in Norwich; and a storage facility at Cherry Lane Liverpool. In all, this amounts to some 80,000 square metres of space. In 2005/6 this estate costs £26.9m or about 10% of HSE's available resource.

## 1.2 Why Change is needed

The cost of the estate is rising and placing real pressure on HSE's resources. As a result and as income falls, the proportion of spend on the estate will continue to grow - unless action is taken, estate costs could account for as much as 12% of total expenditure by 2011/12.

Moreover, many of HSE's offices are under-utilised. The very nature of HSE's business means that many staff spend a good proportion of their time out of the office visiting work premises, partners and stakeholders. Space standards are also generous, with an average per employee of around 18 square metres (sqm) – well above the best practice levels identified by the OGC, which are closer to 12sqm. And in the absence of reform and the likelihood of declining staff numbers over the next three years, this allowance could rise to 29sqm.

The imperative for HSE is to devote as much of its resource as possible to improving standards of health and safety. In the light of this, and given the facts about the estate, it would be irresponsible for HSE not to act. Doing nothing is therefore not an option.

The How and Where We Work Programme has been established to take forward a review of the estate, but the remit of the Programme also recognises that where we work will affect how we work. So, the Programme is much more than just an estates project. It also provides an opportunity to look at how HSE can work better to meet some of the challenges that come with being a regulator in the 21<sup>st</sup> century. The aims of the Programme include improving the working environment and

ensuring that this is tailored to the specific needs of the business, making the best use of technology, providing better career development for staff and fostering more collaborative working.

## 1.3 Objective of the Business Case

This Business Case has been produced to support the key strategic decisions required to take forward the remit of the How and Where We Work Programme. As such, the Business Case will evolve as the Programme moves through the different phases of activity and as greater clarity is established about the particular outcomes the Programme is seeking to deliver.

## 1.4 Executive Summary

On July 4<sup>th</sup> the HSE Board will be asked to consider two key decisions:

- first and foremost, to decide on the case for a single HQ. At this stage, the Board are 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, Bootle and what it should leave in London;
- and second, to agree an approach to identifying, planning and taking advantage of, opportunities for savings in the field estate;

This version of the Business Case provides material to support both of these decisions. It provides an analysis of the strategic, economic and financial case for a single HQ; identifies the scope for short term savings in the field estate; and sets out a consultative approach (along with a fictional illustration) for developing medium and long term regional property strategies.

### The HQ Options

The Business Case looks at two options for the reform of HQ. These options represent different strategic solutions to the mounting costs and business impact of maintaining both a split HQ and a substantial non operational presence in London<sup>1</sup>. The two options are:

**Single HQ** This is predicated on the assumption that the vast majority of the non operational functions presently done in Rose Court will move to Redgrave Court, with only those posts staying in London which cannot be done elsewhere. For costing purposes only, the assumption is that 26 posts will be retained in London.

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<sup>1</sup> The HQ options are looking at non operational posts only. The FOD London field force accommodation needs will be reviewed jointly with the Divisional Management Team as part of the exercise described for the field in Sections 1.4.3 and 3.2.2.

**Dual HQ** This is predicated on the assumption that just over half of the current posts in Rose Court (171) will be retained in London with the rest moving to Redgrave Court.

**Preferred Option**

On strategic, economic and financial grounds, the Single HQ option emerges as the preferred option. Strategically, it provides the better fit with the aims set for the HWWW Programme, as it delivers the best prospects of achieving the kind of flexible, more collaborative and efficient organisation the HSE Board have set their sights on. Although the transition would undoubtedly be difficult for many staff currently based at Rose Court, in the long term, the Single HQ will offer richer career prospects and will become the focal point for the individual’s career development within HSE.

These are significant advantages, but this option is not without risk and some risks are potentially serious, if not mitigated, in terms of HSE’s ability to deliver its business in the future. Risks include reduced visibility and influence in Whitehall, less influence with London based stakeholders and the loss of skilled staff who may choose not to move to the North West. It may also be more difficult in the North West for HSE to build an organisation to reflect the diverse community it serves. There are mitigating factors which may help to limit the impact of these risks (such as whether the North West labour market can meet the skill requirements of HSE – see section 3.1.4.3), but some of these are untried and untested. The challenge of delivering this option (and indeed any option involving large scale relocation) is therefore considerable but achievable. A summary of the financial analysis for the HQ options is shown in the table: below.

	SINGLE HQ OPTION A	SINGLE HQ OPTION B	SINGLE HQ OPTION C	DUAL HQ OPTION A	DUAL HQ OPTION B	DUAL HQ OPTION C
<b>TOTAL COSTS</b>	£ 21,798,353	£ 22,162,269	£ 23,034,101	£ 11,719,853	£ 11,719,853	£ 12,431,685
<b>TOTAL SAVINGS</b>	£ 67,123,442	£ 64,588,212	£ 55,249,403	£ 37,403,013	£ 37,403,013	£ 35,462,485
<b>NET SAVINGS (Savings minus Costs)</b>	£ 45,325,089	£ 42,425,943	£ 33,056,527	£ 25,683,160	£ 25,683,160	£ 23,030,800
<b>NET SAVINGS DISCOUNTED (NPV)</b>	£ 35,401,034	£ 32,773,301	£ 25,034,588	£ 19,895,678	£ 19,895,678	£ 17,775,573
<b>IMPACT ON HSE RESOURCE COSTS IN SR07 PERIOD</b>	£4,241,499	£6,952,629	£6,807,694	£3,750,718	£3,750,718	£5,538,071

Financially, the Single HQ requires a much higher level of investment (based on the present set of assumptions, some £22m compared to around £12m for the “dual HQ”) but it also offers a significantly greater return. Savings over the ten year appraisal period depend very much on the pace of implementation. Thus moving a single HQ in one year produces the highest level of saving at £67m, but this falls to £55m if implementation is stretched to four years. Overall, the investment also returns a higher positive NPV than the “dual HQ” option - £25m - £35m compared to £17m – £19m. The financial case is also extremely robust. Sensitivity testing shows that the case would be able to absorb up to a 152% increase in costs or a 61% decrease in benefits before reaching break point.

Although the Single HQ option does produce gross savings of between £8m – 17m<sup>2</sup> over the SR 2007 period, the high investment costs over this same period mean that it would be cost additive in terms of the overall impact on resources.

The case examines three different funding options – and tied to this, three different timescales – for implementing the Single HQ: 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;
- Option B assumes £10m additional resources with the remaining costs (£4m) being met from HSE’s existing funds. On this basis, the costs of the option could be met within two years;
- 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.

Faster implementation means savings are made earlier and total savings over ten years are greater.

Funding apart, the choice of the transitional period over which a single HQ could be delivered also depends on a judgement about the optimum balance between a number of different factors. These factors range from issues of practicality such as having the time, skills and resources to properly plan and deliver the option, the desire to deliver savings quickly, the importance of minimising business disruption and the time to develop and put in place arrangements to support the staff affected by any relocation. On the analysis in this case, Option A is desirable from a financial perspective, but there is a judgement to be made about whether this allows sufficient time to plan and execute the change HSE is seeking to make. By contrast, Option C provides plenty of time to

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<sup>2</sup> Again, the speed of implementation affects the level of saving with the quickest route producing the most.

plan and see through any move, but it involves a long period where there is likely to be some dislocation to the business. It is also arguable that it does not allow HSE to build sufficient momentum to convince staff that the move is a reality. Option B – the two year approach – is the middle course and has advantages in terms of delivering early returns on the up front investment and providing time to ensure the transition to a single HQ is properly planned and managed.

### **The Field**

With the help of BSD and independent property experts, we have identified a range of opportunities for short term savings in the cost of the field estate. In the Financial Analysis these are described as Option A.

We have also developed an approach for developing regional property strategies for the medium and long term, based on a case-by-case review of each office within a strategic framework and across the regions. Assuming the HSE Board approve this approach, the next steps will be to work with Divisional Directors to apply it to each region. The FOD field force for London will be included in this region by region review, but for now, this Business Case assumes that they will stay in Rose Court until the lease break in 2013. Ahead of these reviews, we have done some initial work to provide ball park indicators of the savings that could be made in the field. This is shown in the Financial Appraisal as Option B.

In terms of Option A, the opportunities in the main arise from sub-letting. There are some opportunities that would present minimal risk to HSE's business as there is potential to sub-let surplus space. There are some opportunities that would present a degree of risk as they may require the introduction of hot-desking or re-stacking in order to achieve the required space for sub-let. Finally, there are those opportunities that present a higher degree of risk as these entail office closures and re-location. These would require more detailed work and planning.

A summary of the financial analysis for the field option are shown in the table below:

	FIELD OPTION A	FIELD OPTION B
<b>TOTAL COSTS</b>	£ 2,367,216	£ 14,539,767
<b>TOTAL SAVINGS</b>	£ 25,547,330	£ 40,730,660
<b>NET SAVINGS (Savings minus Costs)</b>	£ 23,180,114	£ 26,190,893
<b>NET SAVINGS DISCOUNTED (NPV)</b>	£ 18,871,048	£ 20,405,464
<b>IMPACT ON HSE RESOURCE COSTS IN SR07 PERIOD</b>	<b>-£577,499</b>	<b>£2,082,401</b>

Based on a series of assumptions, the financial analysis for Field Option A shows comparatively low investment costs (£2.5m) but a high rate of return - some £25m. The overall NPV for this option is strong at £19m. The thresholds for this option are also robust. It requires an 812% increase in costs or a 90% reduction in benefits to have a detrimental impact on the business case. Option B shows a potential investment of £14m with potential savings of £40m.

The financial analysis for Option B assumes that all of the opportunities in Option A have been taken. The costs and benefits from Option B therefore include the costs and benefits from Option A. On the face of it, Option B requires considerably more investment than Option A, but yields little extra by way of return. This is not a true picture of the investment as it is the result of using a ten year appraisal cycle for investments that are spread over some five years. This reduces artificially the time for payback. In future iterations and after the consultation with Divisional Directors has been completed, we will re-profile this investment over a 15 year period.

In conclusion, the work done so far shows that there is scope for reducing estate costs and for improving the business environment. Savings in estate costs will also provide the opportunity to invest more in the work carried out by HSE staff to improve the health and safety record in Great Britain. Our recommendation therefore, is that the Programme Board should be mandated to evaluate and exploit as appropriate the short term opportunities in Option A and that more work should be done to develop Option B –recognising that for practical reasons, this might take place on a slower timescale and over a longer period.

## 2 Strategic Case

### 2.1 Strategic Aims & Objectives

The strategic aims and objectives of the How and Where We Work Programme are broken down into 3 categories: Business, People and Financial. The aims are to:

#### Business

- i) Improve our ability to deliver our business
- ii) Give maximum flexibility to respond to a changing world
- iii) Improve collaboration across all aspects of HSE's business.

#### People

- i) Support staff development and maintain a high quality of working life
- ii) Create an organisation that reflects the diverse community we serve.

#### Financial

- i) Reduce the cost of HSE's estate as a percentage of available resource
- ii) Enable HSE to achieve stretching targets on sustainability
- iii) Maximise the utilisation of available space at Redgrave Court and Buxton.

### 2.2 Strategic Benefits

The Strategic Benefits have been identified as follows:

(a) HSE can demonstrate to HSC, DWP & HMT, NAO, OGC and external stakeholders that it is managing its resources well.

(b) Reduced estate costs and better utilisation of existing space which strengthens HSE's efficiency profile and potentially reduces its carbon footprint. HSE will set a target to reduce overall estate

costs and average costs per person. Further work will be undertaken by the Programme team to formulate these targets and to benchmark them with other external organisations.

(c) Resources that would otherwise be spent on the estate are released to other priorities so that HSE is better able to deliver health and safety outcomes.

(d) Brigading of current London HQ and Bootle functions under one roof provides the opportunity for developing closer working relationships between staff and with the new governing body; supporting more joined up policy and delivery; creating a strong common identity for HSE's HQ staff; and wider development opportunities.

(e) Staff are well supported with modern office space and good ICT that reduces office dependence and helps to maximise contact with dutyholders and stakeholders. HSE no longer has offices that are underutilised for a large part of the week.

(f) HSE has a strategic view of its regional and national estate and is able to plan for flexibility in the medium to long term.

## **2.3 Key Benefit Driver(s)**

(a) The need to contain and reduce increasing estate costs as a proportion of our available resource, and make efficiency savings where there is capacity in the estate, including by better utilising the Bootle HQ at Redgrave Court.

In 2005/06 estate costs were £26.9m or about 10% of available resource. Whilst cost reduction initiatives are already underway (most notably at the London HQ in Rose Court, where 3 floors have already been sub-let) it is still anticipated that overall estate costs will rise. There are nine properties due to reach a lease end, or lease break by 2010. An external review by our agents has indicated that our rental charges for at least four of these properties are already below market rates. In the case of Ashford and Glasgow this is by as much as 50% below market rates. Clearly, in order to retain the right office quality and right location HSE faces upward pressure on its estate costs that can only be countered by ensuring that office space is used with maximum efficiency. Assuming an SR07 settlement of minus 5% in real terms, and if nothing is done to respond to these pressures, estate costs will rise to £29.9m or 11.6% of available resource – an increase equivalent to around 75 posts<sup>3</sup>.

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<sup>3</sup> Calculated on the basis of an average cost of £40k per post

Staff numbers are likely to decline, so average space allocation could rise to 29 sq m per person. We also have significant spare capacity at Redgrave Court in Bootle where we have a long term commitment. The design capacity of the building is 1800 people; it currently contains 1500 desks, of which around 1200 are occupied. It is crucial we make better use of this asset.

(b) Public scrutiny of our estates needs and spend. We need to demonstrate to our own staff, HSC, DWP and HMT that we are making the best use of our resources. The Programme Board will devise targets to reduce costs and improve the efficiency of the estate. These targets and the associated measures will be based on recent work by OGC and NAO. The aim will be to present these for HSE Board approval in the autumn 2007.

The Government is also bearing down on estate costs generally and recent benchmarking by OGC indicates that we are vulnerable on space utilisation. OGC are currently benchmarking Redgrave Court and in July/August will be benchmarking the rest of our estate. The PAC has recently criticised DCMS for maintaining under utilised and relatively high cost London offices.

(c) The desire to make HSE a more collaborative and joined up organisation. HSE has had split site HQs in London and Bootle for twenty years, with an attendant split in functions, communication, high levels of travel, staff wear and tear, and financial costs. There are significant benefits and efficiencies to be gained from having a single HQ. In addition to cost savings, a single HQ offers an opportunity for developing stronger internal relationships, mutual understanding and joined up working.

(e) The desire to provide a consistently good quality environment for staff in our field offices, and enable them to make best use of their time to deliver health and safety outcomes.

## **2.4 Programme Vision**

HSE will deliver the various strands of its business (health and safety outcomes; enabling justice; providing support to government; and demonstrating public accountability) through a nationwide network of offices and a single headquarters, providing good quality environments, creating an organisation that is more collaborative in which staff can realise their potential, that is flexible and capable of responding to a changing environment and which contains and reduces estates costs over the SR2007 period and beyond.

## **2.5 Organisational Blueprint**

The Blueprint describes the key characteristics of the organisation we are aiming for in the future.

HSE's HQ is Redgrave Court in Bootle, housing the Chief Executive, Chair, and providing support and a focus for the non-executive members of the new (i.e. merged) HSE. It includes all HSE functions unless there is a compelling case to be located in the regions or in London.

This is complimented by a small, flexible office space in London with hot-desks as touch-down space for HSE staff who may have occasional business in London; capacity for a small number of staff whose posts remain in London; and arrangements are in place so that staff can access flexible and affordable meeting space (e.g. for IAC meetings) that need to be held in London.

London-based operational staff in FOD (including construction) remain based in London.

Staff who are based in regional offices work in a high quality and modern environment designed around the specific needs of the business. Where it makes business sense, hot desking is the norm. Staff have ICT that enables efficient office and mobile working and access to quality support services.

HSL's laboratories remain in Buxton.

Formal home workers form only a small part of HSE's workforce but there is flexibility about occasional, less formal home working where a business need for it can be demonstrated and agreed.

Organisations joining HSE (e.g., Hampton merger acquisitions) are integrated into this blueprint at the earliest opportunity.

## **2.6 Success Criteria**

The Programme Team acknowledge that appropriate measures will need to be developed for the strategic objectives of the programme once the strategic decision has been made by the Board.

## **2.7 Scope**

The following are considered to be in scope for the Programme:

- To meet the vision, blueprint and strategic aims as stated by the Programme Board;
- Reduce HSE's estate costs as a percentage of available resource;
- Utilise the available space at Redgrave Court and Buxton;

- Maximise the potential from the buoyant London market
- Provide opportunities for improved collaborative working in HSE;
- All of HSE offices and to utilise them as efficiently and effectively as possible to meet the strategic aims.

The following are considered to be out of scope for the Programme:

- HSE's existing business strategy and model;
- The intervention strategy and content of work for staff.

## 2.8 Constraints

The following constraints have been identified:

- It is not HSE's intention to increase numbers of staff who have formal home working arrangements;
- Speed of change will be limited by funding levels;
- Existing lease commitments;
- HSE's capacity to successfully deliver and absorb change

## 2.9 Dependencies

The dependencies highlighted below are universally applicable, but the way in which they are managed will be adapted with respect to whether they are transitional or longer term "steady state" issues.

- That the HSE Board and HSC sign up to the vision and strategic case.
- That there is a clear view of the internal and external funding available to support change, and also when that funding is available.
- That the HSE Board decides how any further staffing reductions arising from SR07 will fall.
- That there is a realistic assessment and delivery of the amount of resource and skill required for this programme management and delivery.
- The programme will require strong leadership, governance and controls.

- The programme will require senior management and staff buy-in to the vision and change.
- Senior managers will need to provide persistence and resilience to see through difficult and long-term change.
- There needs to be a clear view on the enforceability/applicability of HSE's mobility clause and a policy decision on whether HSE wants to exercise it.
- There is a dependency on available skills in the North West to refresh HSE needs (including specialist skills), or alternate means for HSE to develop or procure them.
- That the results of OMT's study on what support functions could be centralised and which should remain in the field are accepted.
- There is a dependency on the successful role out of the COIN model office.
- That there is an understanding that the 'step change' in ICT that has been identified as being required relates as much to ensuring staff are fully capable of utilising existing ICT for its intended purpose as providing significantly more or different hardware.
- Those changes to ways of working facilitated by changes in the estate, are supported by changes in management practice to maximise the business benefits. These benefits and others need to be articulated.

## 2.10 Risks and Assumptions

### Risks

RISK	COUNTERMEASURE
Continued uncertainty on the future of Rose Court has an adverse affect on both industrial relations and staff morale; there are concerns that this will result in more staff resignations, the creation of skills gaps, reduced productivity and increased stress with impacts on HSE's ability to continue to deliver its business.	Clarity on decisions and messages is required. There needs to be ownership and support from Directors, SCS and local managers to manage this change.
The funds that are available from both HSE budgets and DWP Modernisation Fund are unknown and are likely to remain so until after 4 <sup>th</sup> July. This means that the pace of any agreed change will not be entirely resolved at the July Board and final budgets (and whether DWP support HSE) will probably remain uncertain until Autumn and maybe longer. Expectations of what can be decided in July and what information can be communicated to HSE staff needs to be agreed, along with a clear sense of what work is likely to be needed post-July.	The Chief Executive and the Director Resource and Planning Division have had an early meeting with DWP. There are communications in place which need to be approved to handle the timing issue.
The Business Case is predicated to some degree on hot-desking to which there is opposition in HSE. It will require a significant	Agreeing a clear line on hot desking with the TUs and staff on Northampton and successful delivery of a new office with staff

RISK	COUNTERMEASURE
change in working practices, culture and policies. The impact in the short term is on the negotiations with the TUs, but long term it will impact the successful implementation and will make benefits realisation and estate changes very difficult to accomplish.	buy-in will set the tone for the remainder of the Programme.
Required investment costs are not affordable in the light of other priorities	The Business Case will have clear investment appraisal. In addition we cannot afford to continue with the high overhead of estates costs at the cost of fewer jobs. The other priorities will need quantifying and some further prioritisation will need to take place.
Business Readiness – our systems processes and culture do not support a significant change to current ways of working especially for field staff. We have seen in other organisations the importance of: information and management systems that support business delivery, good ICT, a strong performance management culture, corporate discipline in implementing change, and means to provide peer and organisation support to individuals.	Need to consider business readiness as part of planning for change. Need to clarify the extent of the business change by getting the Programme Board to articulate the vision and blueprint, desired outcomes, scope and benefits. Need to create the environment for the business change and get the Programme Board to take ownership and responsibility.
Management determination to see the change through fails. Lack of persistence and resilience from senior managers in seeing through difficult and long term change	Robust leadership from the SRO and top management alignment behind the decision.
Inconsistent communications will severely hinder the successful delivery of this programme	Dedicated communications resource will be in place on the Programme. Communications Plan in place and communications carefully managed. Consistent messages developed and feedback mechanism in place on the Intranet. Stakeholder plans developed and implemented.
There is a potential risk of HSE suffering from a diminishing influence in Whitehall and with its London based stakeholders.	More systematic planning of stakeholder engagement and working to adjust stakeholder expectations. Creating a small intelligence hub in London to help alert HSE to changing agendas and to spot opportunities for promoting the health and safety agenda.
There is also a risk regarding the loss of skills and capacity if the functions are moved out of Rose Court.	Identifying and developing relationships with the Public Sector in the North West for the purposes of interchange. Providing good support networks for staff
HSE cannot get a sufficient supply of the skills it needs in the North West to refresh the workforce	Establish networks with other organisations, including OGDs, Local Authorities, other public sector bodies and the private sector

RISK	COUNTERMEASURE
HSE cannot build an organisation which reflects the diverse community it serves and there are differentially adverse outcomes for staff in different diversity groups	
As a consequence of losing skills and capability, there is a risk that DWP will assume a larger role in the development of health and safety policy	If we can identify and develop relationships in the North West and provide good support networks then this will move towards mitigating the above risks. Also if HSE can develop a more systematic approach to growing our own talent.
HSE's property portfolio (and associated costs) grow as we acquire other responsibilities (e.g., under the Hampton merger proposals).	Assessment of likely property acquisitions, and agreement to integrate staff in line with HSE's blueprint.

### **Assumptions**

The following assumptions have been made:

- That the current business model for delivering Health and Safety outcomes will not change significantly in the next 5 years.
- The key assumptions used within this Business Case can be found in Annex A of this document.

## **3 Economic Case**

The Economic Case assesses the range of options against current strategic and operational needs. This includes issues of affordability and the deliverability of each option.

### **3.1 Rose Court Options Analysis**

The options being considered in this business case for Rose Court are:

- A single HQ in Bootle with a small presence in London;
- Dual HQ with a streamlined HQ presence in London.

For both of the options above there are three delivery approaches that describe:

- A) The case for fully implementing the option as quickly as feasible assuming no funding constraints;
- B) The case for staging the implementation assuming some external funding assistance
- C) The case for staging the implementation assuming only internal funding is available.

#### **3.1.1 Evaluation Criteria and Evaluation Model**

The evaluation criteria cover the areas:

- Strategic Fit;
- Costs;
- Risks;
- Benefits.

## Evaluation Model

AREAS	OBC REFERENCES
STRATEGIC	Section 2.1 Aims & Objectives; Section 2.7 Scope.
COSTS	Section 4.2.1 Financial Appraisal Section 4.2.2 Comparison of Options
RISKS	Section 2.10.1 Risks.
BENEFITS	Section 3.1.6.1 Benefits Section 4.2.1 Financial Appraisal.

A simple evaluation model is used, giving the ranking for each area and an overall ranking for each option. Within the Options Appraisal, a ranking of 1 is best and 2 worst. For the preferred option a ranking of 1 is best and 3 worst for the delivery approaches.

### 3.1.2 Options Appraisal

This section considers the two main options: A single HQ in Bootle with a small presence in London and a Dual HQ – A Streamlined HQ presence in London.

CRITERIA	A Single HQ in Bootle with a small presence in London	A Dual HQ with a Streamlined HQ presence in London
<b>STRATEGIC</b>		
Section 2.1 Aims	<p>This option utilises the most available space at Redgrave Court.</p> <p>Redgrave Court is a more environmentally friendly building than Rose Court and a single HQ is expected to reduce staff travel between Bootle and London.</p> <p>Keeping only a small presence in London will help to contain and reduce estate costs in the future. There is potential to sub-let a total of 9 floors in Rose Court (3 of which are already let; 1 would need to be retained) which is a significant income for HSE.</p> <p>Redgrave Court provides a high-quality working environment and commuting to it from the surrounding areas is likely to be less stressful than commuting into central London.</p> <p>Having a single HQ with all functions co-located would provide greater opportunities for development for the staff located there (new roles, team working, promotions etc.)</p> <p>Providing HSE capitalises on the opportunity, moving staff into a single HQ will help to improve collaboration across all parts of the business. It will help to join up Policy, programmes, operations, S&amp;T and support functions.</p> <p>A single HQ will make it easier for the organisation to change its priorities, focus and organisational structures.</p>	<p>This option utilises some available space in Redgrave Court.</p> <p>A streamlined HQ would free up some space and there would be a potential to sub-let 8 floors within Rose Court.</p> <p>Retaining a dual HQ in London is likely to mean that HSE continues to more closely reflect the community it serves (diversity).</p>

<b>CRITERIA</b>	<b>A Single HQ in Bootle with a small presence in London</b>	<b>A Dual HQ with a Streamlined HQ presence in London</b>
	Given the above, this option best positions HSE to deliver its H&S outcomes.	
Section 2.7 Scope	<p>A single HQ achieves the greatest reduction in estate costs demonstrating to external parties a more efficient use of HSE's resources.</p> <p>A single HQ increases collaboration and cooperation within the organisation.</p>	<p>A dual HQ achieves some reduction in estate costs demonstrating to external parties an improved use of HSE's resources.</p> <p>A dual HQ is likely to worsen collaboration and cooperation and there is a risk that those remaining in Rose Court could become isolated from the rest of HSE.</p>
<b>STRATEGIC RANKING</b>	1	2
<b>COSTS</b>		
Sections 4.2.1 - Financial Appraisal and 4.2.2 Comparison of Options	<p>Total HSE Costs (non discounted) range from £21,798,353 to £23,034,101 depending on the delivery approach adopted.</p> <p>(When discounted the range of costs is £21,687,547 to £21,420,456)</p>	<p>Total HSE Costs (non-discounted) range from £11,719,853 to £12,431,685 depending on the delivery approach adopted.</p> <p>(When discounted, the range of costs is £11,889,020 to £11,598,035)</p>
Section 4.2.4 Affordability Assessment	The net impact in the SR 2007 period (2008/9 to 2010/11) is to increase HSE's resource costs from £4,241,499 to £6,952,629 depending on the delivery approach adopted.	The net impact in the SR 2007 period (2008/9 to 2010/11) is to increase HSE's resource costs from £3,750,718 to £5,538,071 depending on the delivery approach adopted.
<b>COSTS RANKING</b>	2	1
<b>RISKS</b>		

<b>CRITERIA</b>	<b>A Single HQ in Bootle with a small presence in London</b>	<b>A Dual HQ with a Streamlined HQ presence in London</b>
Section 2.10.1 Risks	<p>There is a potential risk of HSE suffering from a diminishing influence in Whitehall and with its London based stakeholders. It is felt that this is important for influence and credibility and that there is a risk of “out of sight out of mind”. Working with Whitehall is also a source of intelligence for HSE to enable HSE to be able to deal with a changing agenda.</p> <p>That HSE will not “punch its weight” with London-based stakeholders and be seen as provincial.</p> <p>There is also a risk regarding the loss of skills and capacity if the functions are moved out of Rose Court. There is a risk that HSE will not be able to refresh its workforce and that its diversity strategy will also be impacted. There is also a risk that HSE will not be able to attract and recruit talent.</p> <p>This option provides the greatest opportunity for collaboration and associated benefits but there is a risk that these benefits are not harvested.</p>	<p>There is a risk that the streamlined HQ staff will feel detached from the remainder of HSE and will not feel part of the corporate HSE leading to a loss of internal networks.</p> <p>There is a risk that HSE will not achieve its strategic aim of collaboration and of bringing HSE closer together.</p> <p>Risks external scrutiny and criticism that HSE has not gone far enough in terms of tackling the overhead of the estate and is not thinking strategically.</p> <p>Provides less resource savings that could be redirected to front-line delivery.</p> <p>Risks for a dual HQ are likely to be on-going rather than transitional.</p>
<b>RISKS RANKING</b>	1	2
<b>BENEFITS</b>		
Section 3.1.6.1 Quantified Benefits	Annual savings in the first 3 years are between £2m and £5m depending on the delivery approach, then approx £7m after that.	Annual savings in the first 3 years are between £2m and £2.5m depending on the delivery approach, then approx £4m after that.
Section 4.2.1 Financial Appraisal	Overall savings range between £67m and £55m depending on the delivery approach. This option takes 18 months to break even.	Overall savings range between £37m and £35m depending on the delivery approach. This option takes 18 months to break even.
<b>BENEFITS RANKING</b>	1	2

CRITERIA	A Single HQ in Bootle with a small presence in London	A Dual HQ with a Streamlined HQ presence in London
OVERALL RANKING (average of individual rankings)	1.25	1.75

### 3.1.3 Preferred Option

The preferred option is for a Single HQ as this meets the strategic aims of the organisation. While this option requires a higher level of investment, it offers greater savings. It is also the option that does more to bring a number of functions together including policy, programmes, operations, science and technology and corporate support. It therefore achieves the strategic driver of providing improved opportunities for greater collaboration and joined up working. Although there are risks associated with this option, the analysis shows that there are ways of reducing the impact of these on both staff and the business.

If the Single HQ is accepted as the preferred option, then the next decision is about the timescales over which this can be achieved. The following section of this Business Case identifies three delivery approaches and these are outlined in the table below. The evaluation model used for the options analysis will also be used to assess the different delivery approaches.

## **3.1.4 Delivery Approach for a Single HQ in Bootle**

### **3.1.4.1 Range of Functions to be retained in London**

We need to agree with the Board an appropriate method for determining the range of functions to be retained in London. We plan to commence discussion with the HSE Board on 4<sup>th</sup> July.

### **3.1.4.2 Equality and Environmental Impact Analysis**

#### **Provisional Equality Impact Assessment**

This is a provisional equality impact assessment (EIA) of proposals under the HWWW programme to relocate a number of posts from Rose Court to Redgrave Court. It is included here to provide an insight into the issues that HSE may need to consider and address in plans to implement any Board decision to relocate functions from London to Bootle. The EIA cannot be finalised until the Board's final decisions about relocation are known.

The first purpose of the EIA is to assess the proposals for their impact on staff by virtue of race, disability, gender, sexual orientation or gender alignment, age and religion or belief. The second purpose is to identify and consider actions to remove, reduce or mitigate any adverse outcomes, wherever reasonable and practicable.

The EIAs for each diversity group are given separately, but members of staff are often members more than diversity group.

HR has consulted and is grateful for the comments of the three staff networks (MAGNET, Equal and Women's Network) about issues likely to affect their members. HR has also consulted a group of staff about issues related to sexual orientation (before a LGBT staff network is established).

#### **Overall conclusions**

The EIA starts from the position that no other city in the UK is as diverse as London. This is especially true for race, sexual orientation and religion. Similarly the workforce in Rose Court is more diverse than in Redgrave Court or anywhere else in HSE.

The proposals in the paper to reduce the size of Rose Court to between 30 and 170 posts from the current 400 posts will almost certainly reduce levels of representation in most diversity groups. As

a result HSE will need to redefine its diversity strategy. There will be some adverse outcomes for staff across all diversity groups.

At the present time very few staff are enthusiastic about relocation. In addition to the diversity points, staff are concerned that they could agree to relocate only to lose their job later if further staff reductions are needed because of the SR 2007 settlement.

The larger the number of posts to be relocated and the shorter the timescale, the greater will be the impact and the challenge to take mitigation action. The three options in the paper based upon project completion dates of March 2009 to March 2012, would require different levels of HR and external agency support

The proposals for mitigation action include providing advice, guidance and support to staff and their partners about living and working on Merseyside; or helping staff to find alternative employment in London. It is recommended that HSE should set up a dedicated HR team and appoint an external agency to support staff relocation and redeployment.

## **Race**

There is higher representation of BME staff at all job bands in Rose Court (15%) compared with Redgrave Court (2%). In Rose Court BME staff are mainly represented in the bottom two job bands (34 out of 60 staff). BME staff who decide to relocate to Redgrave Court would work in a far less ethnically diverse workplace. It is expected that a significant number of BME staff will decide not to relocate, and this will reduce overall levels of representation in HSE.

Simply because fewer people from ethnic minority groups live on Merseyside (3%) compared with London (29%) , there is likely to be an adverse impact on BME staff if they decided to relocate. For example, there would be fewer community support networks; and possibly issues around the educational experience of their children in schools where there are small numbers of pupils from an ethnic minority background.

There is higher unemployment among people from an ethnic minority background in London ('non-white' unemployment rate is 13.5% and white unemployment rate is 5.1%) and, to a lesser degree, on Merseyside ('non-white' rate is 16.3%<sup>4</sup> and white is 6.4%). HSE should be prepared to provide support to help BME staff looking to find jobs elsewhere in London, and to BME partners of staff relocating to Merseyside to help them to find alternative employment.

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TP<sup>4</sup>PT The 'non-white' figure is not particularly reliable because of the low numbers of ethnic minority people that live on Merseyside.

HR will consult MAGNET, the Trade Unions and staff about supporting BME staff who relocate to Redgrave Court. HR will provide information about key services related to living on Merseyside on the HWWW website; provide redeployment support to staff who decide not to relocate; and help individual staff who make further enquiries about community support networks, education, employment, health and travel to work.

### **Religion and belief**

Many of the issues relating to the race impact assessment apply. The lack of places of worship and faith schools may deter some Rose Court staff from considering relocation. This could further decrease levels of BME staff representation.

### **Disability**

There are the same levels of representation (5%) of staff with disabilities in Rose Court and Redgrave Court, but with slightly more representation at higher job bands in Rose Court. The numbers are small though and the statistics should be treated with caution. Only twenty staff have declared that they have a disability, but it is thought this a significant under representation of the true position, which might be confirmed later when individual discussions are held with staff about relocation.

There are a number of possible impacts on staff with disabilities. First, they could lose access to the support networks they have established in London. Secondly, some staff may need to adapt homes if they relocate. Thirdly, some staff might find it harder to access certain types of specialist healthcare away from London. Overall we believe that staff with disabilities will tend not to relocate to Merseyside.

HR will provide staff with disabilities who decide to relocate advice about Merseyside, and help them to make contact with the relevant local agencies. Equally, HR will provide support as needed to help staff who decide not to relocate to find alternative employment, because of the general difficulties people with disabilities tend to experience in finding jobs. In London, the unemployment rate for people with disabilities is 12.7% compared with 7.3% for people without disabilities. HR will provide information about key services on Merseyside related to people with disabilities on the HWWW website.

### **Gender**

There are similar overall levels of representation of men and women in Rose Court (47%) and Redgrave Court (48%). But there are more women at SCS to band 2 in Rose Court (about 35%) compared with Redgrave Court (20%). There could therefore be an adverse impact on women

who decide to relocate because they would work in an environment where there are more male senior managers.

The main impact will probably be on women with childcare responsibilities, particularly those who use extended networks of family members and friends who provide childcare support in London which they could find difficult to replace on Merseyside. Women who decide not to relocate might have difficulties finding alternative employment that offers the same work flexibilities as HSE.

Overall we believe that relatively fewer women than men will relocate from London to Merseyside for reasons of part-time working (20% of women work part-time compared with 8% of men), childcare support and partners' incomes. There will be a consequential adverse impact on levels of women representation.

HR will provide information about local childcare services and other services provided by local authorities on the HWWW website, and provide support to help women who decide to seek alternative employment in London.

### **Age**

There is no evidence that there would be a significant adverse impact on levels of age representation. About 35% of staff in Rose Court are 50 years old or over. We believe that fewer "older" staff (defined as either 50 years or 55 years old and over) will want to relocate to Redgrave Court because they are well established in London. They might also find it difficult to settle on Merseyside; but it might also be harder for them to find alternative employment in London.

Older staff might also be concerned about their pension, which is based on pay in the last three years' service. HSE will need to consider the pension issues as well as putting in place effective relocation/redeployment services.

### **Sexual orientation**

LGBT staff have a range of concerns about moving from London to Merseyside. Liverpool is thought to be far less a gay friendly city than London in terms of service, community support and personal safety. Research in 2005 showed that gay men were more likely to be subject to homophobic abuse or assault on Merseyside than in London.

Although no staff records are held about sexual orientation, based on the annual staff survey and other research, we think it is safe to assume that more LGBT staff work in Rose Court than Redgrave Court. This mirrors the 2001 Nation Census Survey which reported that 0.37% of the population in London are in same sex relationships, compared with 0.14% of the population on Merseyside.

All the LGBT staff we have spoken with do not want to relocate to Merseyside, and if they left this would have an adverse impact on levels of representation of LGBT staff.

LGBT staff who decide to relocate and those who decide to seek redeployment will require support about a range of issues. The agency appointed to support HR will need to be competent to help them.

### **Future actions**

A key requirement of the EIA is the need to ensure that all staff are consulted. This goes beyond consulting the trade unions and staff networks, who will all be fully involved in the process.

HR intends to hold staff focus groups in Rose Court and to issue a questionnaire to all staff about relocation and offer one-to-one interviews, as required.

HR has contacted other departments who have engaged external agencies to support relocation programmes. Further checks are needed but we should be able to utilise other departments framework agreements to engage an agency

Depending upon the Board's decisions, HR will complete a programme of actions to support relocation, which will also be equality impact assessed.

## **3.1.4.3 North West Economic Assessment**

### **Introduction**

The following section is an economic assessment of Merseyside and the wider North West for the HWWW programme. It assesses the issues involved if HSE had to recruit staff to carry out functions in Redgrave Court that are currently based in Rose Court.

We have consulted a range of organisations, including:

- Northwest Regional Development Agency (NDRA) – provided background information and signposted us to the other agencies.
- Mersey Partnership – provided information about economic development, Investment and Tourism and kindly gave permission to reproduce some of their material.
- Office for Government Commerce – provided data on regional workforce profiles e.g. city datasets. .
- Regional Intelligence Unit (part of the NRDA) – provided regional information about the socio-economic and environment of the North West.

- Business Liverpool - provided detailed local labour market, demographic and recruitment assessments for central Liverpool.
- Cabinet Office NW regional co-ordinator – provided information about the government staffing position in the North West and managing inter-departmental staff moves.

### **Recommendations**

Based on the assessment we recommend the following initial actions:

- To develop a recruitment strategy linked to the HWWW relocation programme
- To prepare job and person specifications for all posts, but starting with those posts that will be more difficult to fill
- To build further on the links established with the Merseyside and North West development agencies
- To build stronger relationships with departments who have significant staff surpluses, with the help of the Cabinet Office Regional Coordinator
- To review the range of skills held by staff in Redgrave Court to identify those with policy experience who could help manage the transition of work when posts are transferred to Merseyside.

This is an initial list of outline recommendations. More detailed work needs to be done when the Board has taken strategic decisions about the HWWW programme.

### **Rose Court**

The starting point for the assessment is the current range of skills and experience of staff in Rose Court. Table 1 shows that there were 362.9 staff (FTE) at 31 March 2007<sup>5</sup>.

<b>D/D</b>	<b>SCS</b>	<b>Band 1</b>	<b>Band 2</b>	<b>Band 3</b>	<b>Band 4</b>	<b>Band 5</b>	<b>Band 6</b>	<b>Total</b>
Comms	1.0	2.0	1.9	5.9	4.0	2.0	1.0	17.8
CoSAS	1.9	4.0	5.8		4.1	1.0	1.0	17.8
HID		1.0	6.9	17.3	1.0	1.0	6.0	33.2

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TP<sup>5</sup>PT There are another 27 staff on assigned to Rose Court directorates who are currently on secondment, career breaks or long term sick without pay.

HSC					1.0	1.0		2.0
HSL		0.5		2.0				2.5
LAO	3.6	6.2	6.6	2.0	5.0	6.0	3.0	32.4
LAU		1.0	1.0	1.0	1.8			4.8
ND		1.0	2.0					3.0
PG	9.2	9.0	39.2	47.1	71.3	29.1	16.8	221.8
RPD	2.0	1.0	3.0	6.0	3.5	5.0	6.9	27.5
All	17.7	25.7	66.4	81.4	91.8	45.1	34.7	362.9

**Table 1: Staffing by directorate and Discipline**

The four largest directorates are PG (221.8), HID (33.2) and LAO (32.4) and RPD (27.5). The other D/Ds each have less than 20 staff in total.

The three largest job bands are band 4 (91.8), band 3 (81.4) and band 2 (66.4).

Table 2 shows that the six largest discipline groups are:

- administration (212)
- regulatory specialist (28.6)
- offshore (25.2)
- typing/secretarial (24.6)
- legal (21.7)
- scientific (19.8).

Discipline Group	SCS	Band	Band	Band	Band	Band	Band	Total
		1	2	3	4	5	6	
Accountant		1.0						1.0
Administration	13.2	7.6	22.9	46.5	73.5	28.1	20.2	212.0

Economist	1.0	2.8		3.1			6.9
Foundation					5.0		5.0
Information Officer			3.0	4.0			7.0
Information Technology				1.0			1.0
Legal	1.6	5.5	6.6	1.0	3.0	4.0	21.7
Librarian	1.0				1.5		2.5
Medical Inspector	0.5						0.5
Nuclear		2.0					2.0
Nursing			1.0				1.0
Offshore	1.0	6.9	17.3				25.2
Professional/Technical		1.0					1.0
Psychologist			1.0				1.0
Regulatory Specialist	1.9	5.0	15.9	4.8	1.0		28.6
Scientific	2.0	8.3	6.7	2.8			19.8
Specialist Inspector	2.0						2.0
Typing/Secretarial					2.0	8.0	14.6
All	17.7	25.7	66.4	81.4	91.8	45.1	34.7
							362.9

**Table 2: Staffing by job band and discipline**

There are single digit numbers of staff in the other discipline groups, but it shouldn't be inferred that they would be easy to replace. Concerns have been raised that it would be difficult to recruit lawyers and economists. It should be noted that the total for legal staff includes 7 staff at bands 4 and 5 who are not fully qualified (see Table 2).

Table 3 shows that 118 (33%) staff have up to 6 years service and 244.9 (67%) staff have 6 or more years' service.

Discipline Group	Years in HSE					Total
	0-3	3-6	6-9	9-12	>12	
Accountant	1.0					1.0
Administration	36.6	39.2	8.9	20.7	106.6	212.0
Economist	6.9					6.9
Foundation	5.0					5.0
Information Officer	3.0	1.0	1.0		2.0	7.0
Information Technology					1.0	1.0
Legal	6.2	9.5	3.0	1.0	2.0	21.7
Librarian	1.0				1.5	2.5
Medical Inspector					0.5	0.5
Nuclear					2.0	2.0
Nursing			1.0			1.0
Offshore	2.5	1.0		1.0	20.7	25.2
Professional/Technical					1.0	1.0
Psychologist					1.0	1.0
Regulatory Specialist			2.8	3.0	22.8	28.6
Scientific	5.0		1.0	0.8	13.0	19.8
Specialist Inspector					2.0	2.0
Typing/Secretarial			2.0	1.9	20.7	24.6

Grand Total	67.3	50.7	19.7	28.3	196.8	362.9
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**Table 3: HSE service by discipline**

The percentage of staff with 6 or more years' service in the six largest discipline groups are:

- Administration – 64%
- Regulatory specialist – 100%
- Offshore – 86%
- Typing and secretarial – 100%
- Legal – 28% (but OGD experience is particularly relevant)
- Scientific – 75%.

### **Merseyside**

There has been significant economic growth and development on Merseyside over the last 5 to 10 years, bringing many changes to the occupational and industrial profile of the region.

### **Catchment area**

Over 1.2 million people live within 35 minutes travel of the centre of Liverpool. The map at Annex 1 shows the extent of the area, which takes in Formby, St Helens and the Wirral. Preston, Manchester, Chester and Stoke are within 60 minutes travel.

### **Working population**

On Merseyside there were 617,700 people in employment (including self-employment) in 2006. The occupational profile includes:

<b>Occupation</b>	<b>Employees</b>	<b>% of all employees</b>
Managers and senior officials	78,300	12.7
Professional occupations	67,000	10.8
Associate professional and technical	83,900	13.6

occupations		
Administrative/Secretarial jobs	87,300	14.1

**Table 4: Employee profiles for professional and administrative occupations**

Over 78,000 (13%) people are managers or senior professionals, 67,000 (11%) fully qualified professionals, and 84,000 (14%) in associate, or part qualified, professional positions. Finally, 87,000 (14.1%) people are in administrative/secretarial posts.

In 2004 (2006 figures not available) there were 750 legal firms employing 5,600 staff.

### **Universities**

There are over 52,000 students at Liverpool's universities, one of the largest student populations in the north of England.

Each year they produce about 8,000 first time graduates of whom about a third of stay in the City following graduation. They provide a good source of graduate recruits for local employers.

Employers in the region also have access to the graduate populations of Manchester and Chester universities.

### **Labour costs**

Labour costs in Liverpool compare well with the UK average. Based on 2004 data and setting UK labour costs at 100, gives the following index ratings for different occupational groups:

- government sector administration 97.3
- general clerical administration 95.7
- financial sector administration 89.7
- IT support staff 88.4
- all semi-qualified professionals 80.7
- all sectors professionals 76.5
- business/finance semi-qualified Professionals 64.9

There is little difference in government sector (97.5%) between London and Merseyside, but for organisations employing finance sector staff (89.7%) and professional staff (76.5%), employers benefit from substantial paybill savings.

Table 5 compares the maxes of HSE's 2006 pay ranges with those of DWP and HMRC, the two largest government departments on Merseyside.

	HSE	DWP	HMRC	HSE Rank
<b>Band 1</b>	£61,685	£63,510	£62,577	3
<b>Band 2</b>	£50,480	£51,910	£50,881	3
<b>Band 3</b>	£38,831	£35,420	£37,261	1
<b>Band 4</b>	£30,399	£28,920	£30,663	2
<b>Band 5</b>	£25,185	£23,510	£24,652	1
<b>Band 6</b>	£17,972	£17,250	£18,305	2

**Table 5: HSE 2006 maxes compared with DWP and HMRC**

The Table shows that at bands 3 and 5, HSE's maxes are the highest; at bands 4 and 6 they are in the middle; and at bands 1 and 2 are the lowest. Overall though HSE should not be placed at a serious competitive disadvantage. This is particularly true at bands 3 and 4, which are the largest policy group job bands in Rose Court.

### **Public Sector**

There is considerable employment in the public sector. Nearly 60,000 civil servants work in the North West. Within Merseyside there are 15 departments and agencies, including:

- HM Customs & Revenue
- DWP
- UK Passport Agency
- Government Office for the North West
- Home Office
- Department for Education & Skills.

Since the **Lyons Review**, government departments have relocated nearly 600 posts to Liverpool. To support relocation, departments have run substantial recruitment campaigns.

It is Cabinet Office's view that sometimes departments have moved to external advertising too quickly, rather than using internal trawl methods, which increased costs and doesn't improve employee relations at civil service level. For example, a national HMRC competition for HEOs/EOs attracted 100,000 applications for 70 posts.

Civil service jobs are still attractive to jobseekers in the North West, and the opportunity to do policy work without needing to go to London is attractive to serving civil servants

The bigger departments are now looking to reduce staff numbers in the North West, including:

- HMRC – 700 posts by 2010 (wider Merseyside)
- Home Office – 200 posts by March 2008 (North West)
- DWP – 250 in North West (date not available)

Cabinet Office advise that taking into account other departments' relocation experiences and the surplus situation, there should be reasonable prospects of recruiting staff at bands 3 to 6. The prospects at bands 5 and 6 were thought to be very good. There has not been a substantial amount of recruitment at bands 1 and 2 and they were not able to offer advice about recruitment at this level.

### **Conclusions**

To assess HSE's potential to recruit staff in the North West to carry out functions currently based in London, the two key factors are the number and type of staff who will be needed and the timescale for recruiting them.

### **Policy work**

Provided recruitment is phased over a reasonable timescale, there should not be major problems in recruiting staff to do policy work at bands 3, 4 and 5. It could be harder to fill posts at bands 1 and 2.

It might be worthwhile to review the policy experience of staff in Redgrave Court, which could help manage the transition of work and allow other posts to be advertised in the North West.

### **Specialists**

It may be more difficult to recruit specialists such as lawyers and economists, particularly in the short term. However in the longer term there is the potential to build stronger links with the universities in the North West to improve future supply of legal, economic and business specialists.

It should be easier to build stronger relationships with universities in the North West because HSE will be one of only a few civil service HQ presences. This compares well with London where HSE is only one among many.

### General

The various North West business agencies would be very interested in supporting our efforts to recruit staff. They view the relocation of posts as a positive outcome for Liverpool.

#### 3.1.4.4 Analysis of Delivery Options

CRITERIA	A) no funding constraints and implemented by Mar 2009	B) Some external funding assistance and implemented by Mar 2010	C) only internal funding available and implemented by Mar 2012
<b>STRATEGIC</b>			
Section 2.1 Aims	<p>The building is considered to be highly marketable and therefore the sub-let potential is high. This would enable HSE to strike whilst the iron is hot and act whilst the market is favourable which reduces the commercial risk.</p> <p>Also means HSE can offer a reasonable sublet period before the 2013 lease break, which may be more attractive to potential tenants than a shorter period.</p> <p>Given that the transition period is 1 year, the sponsorship will remain in place and staff will have the stamina to see it through.</p>	<p>Demonstrates better use of resources and will give the organisation the time to achieve collaboration and a joining up for staff as the transition period is longer. This will improve HSE's ability to deliver its business.</p> <p>This approach provides more time to plan the move into Redgrave Court with minimum disruption to staff in that office.</p>	<p>There are planning advantages to this option and it also provides maximum re-deployment aspects.</p>
<b>STRATEGIC RANKING</b>	2	1	3
<b>COSTS</b>			
Sections 4.2.1 (Economic Appraisal) and 4.2.2 Comparison of Options	<p>Total HSE Costs = £21,798,353</p> <p>(Discounted value = £21,515,135)</p>	<p>Total HSE Costs = £22,162,269</p> <p>(Discounted value= £21,687,547)</p>	<p>Total HSE Costs =£23,034,101</p> <p>(Discounted value = £21,410,456)</p>

<b>CRITERIA</b>	A) no funding constraints and implemented by Mar 2009	B) Some external funding assistance and implemented by Mar 2010	C) only internal funding available and implemented by Mar 2012
Section 4.2.4 Affordability	Has a significant investment in Year 1 but has the highest recurring savings. Over the CSR 07 period this option increases HSE's resource costs by £4,241,499	Has a slightly lower investment in Year 1 and the recurring savings are slightly lower. Over the CSR 07 period this option increases HSE's resource costs by £6,952,629	Has lowest investment costs but does start to show some significant recurring savings. Over the CSR 07 period this option increases HSE's resource costs by £6,807,694
<b>COSTS RANKING</b>	1	2	3
<b>RISKS</b>			
Section 2.10.1 Risks	<p>There is a risk that the funding will not be available from DWP and this option does require a significant investment in Year 1.</p> <p>There is a risk that the transition period within 1 year is too quick to be adopted successfully by HSE. The speed may not allow for flexibility in approach and may well impact the benefits realisation. This option has the risk that the collaboration benefits HSE seek cannot be harvested as the transition process has been too quick.</p> <p>There will inevitably be loss of productivity incurred for those staff moving out. This has been estimated at a 5% loss of productivity at an approximate cost to the organisation of £642,300 in Year 1.</p> <p>There will inevitably be an impact on morale.</p> <p>This is the most costly approach in terms of staff costs.</p> <p>Undertaking the required</p>	<p>There is a growing risk that the market may not be as buoyant within another year and therefore the property may not be as marketable as now.</p> <p>There is a slightly increased risk in the loss of productivity as this option takes two years to implement. This has been estimated at a 5% loss of productivity over the two years at an approximate total cost to the organisation of £642,300 spread over the 2 years.</p> <p>There is potentially a double disruption with this approach.</p> <p>This approach may still be perceived as too quick to achieve the buy-in required to make it happen.</p> <p>This approach poses much less of a risk in terms of transition period and staff opting not to move as it gives more time for staff to plan.</p>	<p>There is a risk that HSE will not have the skills, resources and stamina to deliver the changes if the transition period is too long.</p> <p>There is a risk that other priorities will overtake this programme and not all the benefits will be realised.</p> <p>This option provides a risk of a longer period of transition and potentially a bigger impact from loss of productivity.</p> <p>This approach achieves the least for the SR2007 period which could lead to pressures for the next settlement period.</p> <p>The longer HSE takes to get staff out of Rose Court the more the risk increases of not being able to sub-let the building. The longer it takes to sub-let the closer the period to the lease break and the higher the risk of not being able to sub-let the property.</p> <p>This option has a further increased risk in terms</p>

<b>CRITERIA</b>	A) no funding constraints and implemented by Mar 2009	B) Some external funding assistance and implemented by Mar 2010	C) only internal funding available and implemented by Mar 2012
	transition this quickly could result in more staff opting not to move to Bootle which has a consequence on HSE's capacity to carry on its business and could also increase levels of stress on those staff left as they will be asked to do more.		of loss of productivity as this option takes four years to implement. This has been estimated at a 5% loss of productivity over the four years at an approximate total cost to the organisation of £642,300 spread over 4 years.  There is a risk with this approach that HSE would lose credibility with DWP and the Commission.
<b>RISKS RANKING</b>	2	1	3
<b>BENEFITS</b>			
Section 3.1.6.1 Quantified Benefits	Annual savings of £2m, £7m and £7m respectively for the first 3 years, then approx £7m after that.	Annual savings of £1m, £6m, £6m respectively for the first 3 years, then approx £7m after that.	Annual savings of £0.5m, £3m, £4m, £5m, £6m for the first 5 years, and then £7m after that.
Section 4.2.1 Financial Appraisal	Overall savings of £67,123,442. This option takes 18 months to break even.	Overall savings of £64,588,212. This option takes 18 months to break even.	Overall savings of £55,249,403. This option takes slightly less than 18 months to break even.
<b>BENEFITS RANKING</b>	1	2	3
<b>OVERALL RANKING</b> (average of individual rankings)	1	1	3

### **Preferred Delivery Option**

Both delivery Option A & B have the same overall ranking. If sufficient external funding were available to allow a rapid implementation then Single HQ Option A would be the preferred choice as it delivers the best NPV over 10 years and has the least adverse affect on resource costs over the three-year SR2007 period. However, if around £10m of external funding was provided, this would allow HSE to implement a Single HQ over two years (Single HQ Option B). This delivery

option has a slightly lower NPV over 10 years and has a slightly more adverse affect on resource costs over the three-year SR2007 period. It also requires some £4m funding from HSE in year one.

The possibility that no external funding will be provided has been examined in Single HQ Option C. Based on the assumption that only £4m internal funding in year is available in year one and that subsequent savings could be reinvested in the Programme year on year, the implementation would take four years to complete. Given the need for HSE to self-fund this option, its adverse effect in the CSR2007 period and the extended timescales, consideration would have to be given to whether HSE would be prepared to accept the risks associated with this option.

Overall, Option B may represent the best balance between financial advantage and achievability, but it is recommended that any opportunities to speed up implementation are taken, for example, if more funds become available through end year flexibility, or if implementation costs proved to be lower than expected. It would appear that HSE requires external funding to offset the adverse effect in the CSR2007 period and achieve the longer-term efficiency improvements of a single HQ.

### **Anticipated Benefits**

The benefits listed below relate to delivery option B - the middle ground.

#### **3.1.4.5 Quantitative Benefits**

The following quantitative benefits have been identified:

Single HQ (delivery option B)
Business: <ul style="list-style-type: none"><li>a. A 10% reduction in salary costs due to the implementation of collaborative working;</li><li>b. Revenue from sub-letting surplus space at Rose Court</li><li>c. Reduced London Weighting costs;</li><li>d. Reduced travel and subsistence costs for journeys between London and the North West</li></ul>

#### **3.1.4.6 Qualitative Benefits**

The table below lists the benefits that have not been quantified as they have been deemed non-financial and therefore viewed as qualitative benefits. These have been extracted during structured interviews and workshops.

## Single HQ (delivery option B)

### Business:

- a. This is a more manageable approach to delivery and gives the business more time to plan and execute the approach
- b. This approach allow time to consider business continuity and give more time to ensure transition plans are in place. It also gives more time to communicate the transition plans to all staff concerned.
- c. This approach allows the re-stacking of Redgrave Court and to manage the move into Redgrave Court.
- d. This approach provides the opportunity to Improve collaboration across all part of the business
- e. Bringing staff together will present opportunities for staff to network and socialise more
- f. It will help to improve the communication chain and present opportunities for more cross team working
- g. A single HQ will help to make the leadership of the organisation more visible to more staff
- h. A single HQ will provide the opportunity to help to improve knowledge sharing
- i. It provide the opportunity to help to improve team building and incentivise recognition and team rewards

## 3.2 Field Option

### 3.2.1.1 Introduction

At the 6<sup>th</sup> March Board meeting, the Programme Team were give approval to develop an approach for an alternative field option which looked on a case-by-case basis at how far the Board's objectives for reduced costs and better ways of working could be achieved, including by reducing space.

The case-by-case approach collates information about each of the individual field offices staffing and the developing regional business needs and uses that information to develop a regional strategy demonstrating the potential for each region (including London). Each office and each region are different, but there are a number of common constraints such as operational needs, where staff live, lease arrangements and the configurability of the accommodation. There are also opportunities such as lease breaks, sub-let potential for some offices and potential changes to working arrangements that present themselves.

### 3.2.1.2 Overview of the Approach

In essence, the approach involves analysing the circumstances of each office using a consistent set of factors to identify opportunities for change. These factors cover property, staffing, the working environment and business issues and take account of local, regional and national objectives.

One of the objectives of the approach is to only elicit change where there is a quantifiable gain which meets the strategic driver of reducing the cost of the estate. The different scenarios for a region are permitted by the following:

- A lease break presents the opportunity to move to a new office in a preferred location where the business needs are best met. This new office would meet the design principles for H&WWW.
- A sub-let potential presents the opportunity to utilise the space better. The introduction of hot desking would also permit the utilization of space better freeing up more space to sub-let.

Property

The starting point is to take stock of the property in a region and to arrive at a judgement of how easily HSE could dispose of surplus space. The main sources of information used for this are HSE's Aspirational Estates Strategy (drawn up by RPD/BSD) and Divisional Property Plans. This information is supplemented by an assessment of the marketability of HSE's offices by external experts.

The property analysis looks at the lease break potential, the configurability of the existing office space and the marketability of the property. As a result of considering these factors, each office is assigned a disposability rating of High, Medium or Low. The next dimension is the staff cost of changing the office (for example, by squeezing down on space or by moving the office location). This is dependent on the number and band mix of staff within an office. The results of these property and staffing considerations are then mapped onto a chart containing 4 quadrants.

- **Dispose and Relocate** – this is where an office is judged to be highly disposable and the staff cost associated with disposal are likely to be low
- **Utilise space better and sub-let** – this is high disposability and high staff cost implications
- **Evaluate building vs. staff costs** – this is low disposability and low staff cost implications
- **Stay Put and use to Absorb Displaced Staff** – this is low disposability and high staff cost implications

### Staff

The next assessment is Staff Factors and this analysis looks at the impact a change in the office may have on HSE's ability to retain staff and the cost of moving staff to a new location or different patterns of work.

### Working Environment

This looks at the application of space targets for each office and at any factors relating to the needs of the business in terms of the working environment. The offices are assessed against two criteria: the number of people to be accommodated and the space allocation per individual. Again, the results are plotted on a chart containing 4 quadrants.

- **Lowest number of Workstations** – where the office already has the lowest reasonable number of workstations for staff – in time, this could be because hot desking is already in operation;
- **Best use of Space and Resources** – this is self explanatory

- **Worst use of Space and Resources** – the office is poorly designed and prevents the best use of the space – e.g., because cellular offices have been retained
- **Greatest Number of Desks** – space targets have been achieved or exceeded and the office is being used to capacity

The target quadrant would be the 'best use of Space and Resources' quadrant for all offices within the region although this may not be achievable for a number of reasons. It should certainly be the target segment for marketable properties or for those being used to absorb staff from other offices.

### Business Need

The analysis has to take into account the needs of the business both in the short term and the long term. The dynamics and the geographical implications need to be understood and that can only be delivered by those who work in that region.

That is why it is imperative that the Programme Team work very closely with regional teams to draw up a regional scenario that is practical and achievable whilst delivering the aims and objectives of the H&WWW programme.

### Approach to Developing Options

The Programme team, along with BSD's Estates Management Unit, has carried out a paper based exercise analysing the Property Factors, Staff Factors and Working Arrangements Factors. This information needs to be shared with teams from each Region and then the operational and business needs of a region also need to be factored in, to develop regional scenarios.

It is proposed that this is undertaken via a series of consultations over a period of time in order to develop and refine these scenarios. It is envisaged that these agreed scenarios become the strategic divisional property plans owned and maintained by the regional Directors.

Once the regional scenarios have been developed, then a national analysis will be undertaken. This will examine any further potential scenarios that fall across regional boundaries. These further scenarios will need further consultation with the appropriate personnel and the strategic divisional property plans updated accordingly.

### 3.2.1.3 Illustrative case study

This illustration is based on a fictional region but based upon actual examples encountered during the initial phases of the analysis. It is intended to illustrate the potential available for the field option.

The region of Trumpton has 5 offices. After working through the Property Factors they have been analysed as follows:

**Building A** This building has a high disposability rating and currently there is a fairly low number of staff within this building. There is a lease break due shortly and currently this office costs £800k per annum in rent. This office falls into the Dispose and Relocate category. The business has agreed that there is no compelling need geographically for this office and staff could operate out of Building B.

**Building B** This again has a high disposability factor but there is a large number of staff already working out of this office. This office falls into the Utilise Space Better and Relocate quadrant. The lease break is due in a further 5 years and there is potential to lease one whole floor equating to approximately £150k per annum. The rent is currently at £650k per annum.

**Building C** This is a City Centre office with a high disposability factor with a fairly moderate number of staff working out of this office. This falls between the dispose and relocate quadrant and the utilise space better quadrant. There is a lease break in approximately 6 years time. The majority of the work is not now in the City Centre but is focused on the outskirts. The rent is currently £900k per annum and there is potential to sub-let 1 floor at £250k per annum. If hot desking was introduced then there is potential to sub-let 2 floors.

**Building D** This is a small office with a low number of staff and a low disposability. Its lease is due for renewal shortly. The rent is currently £274k per annum.

**Building E** This office has recently been re-furnished and therefore HSE would not wish to move out of this building as they would not get a return on their recent investment so need to stay put for at least another 5 years. It has high staff cost implications but low disposability. It falls into the stay put and use to absorb displaced staff. There is a large growth area for manufacturing so HSE need a presence in this area. The rent is currently £600k per annum.

After discussions and consultations with the regional Director and having undertaken the analysis the following options present themselves for the region.

- Close Building A at the lease break and re-locate staff to Building B. This will remove a property from the estate and will also utilise the space better in Building B. This will save £800k per annum on rent.

- If hot-desking is introduced into Building B there would be room to free up one floor which could be sub-let even after absorbing staff from Building A. As this is a highly desirable part of the region then there is a significant income from sub-letting (£150k per annum for the remainder of the lease). The requirement for this office longer term can then be considered along with the changing needs of the business.
- Introduce hot-desking into Building C and sub-let 2 full floors of this building. Again this would result in a significant income for a number of years (potentially £500k per annum). If there is not a business need in the City Centre then there is potentially a case for moving out of this office in the longer term and moving to smaller offices in the region where HSE can deliver its business effectively. The smaller office would ultimately reduce the footprint of the estate.
- There is no real business need for keeping Building D. The lease break is due and rather than spend money on refurbishment then there is a case for closing the office and moving staff to Office E as there is space there. This would reduce estate costs for the region by £274k per annum.
- Due to the recent refurbishment there is no option but to keep Building E. There is still a business need to maintain a presence in this area and this building is being used to absorb staff from Office D. There is no further room for hot desking in this office so this building is maximizing the available space. It may be pertinent to align its lease break with office C and then look to merge these two offices some time in the future if business needs permit.

### **Conclusion:**

The overall impact of these scenarios if they formed part of the regional strategy, would be to reduce the running costs of the estate from the income earned from sub-letting Building B and Building C until the lease breaks when the business need would need to be re-assessed. This would reduce running costs of the estate by £650k. Building A and Building D have both closed which would again reduce estate costs by £1,074,000.

The current running costs of the estate are £3,224,000. Given these scenarios for the short-term the running costs could be reduced to £1,500,000. This benefit could also be realized within the CSR2007 period which is one of the strategic aims of the H&WWW programme.

In the medium-long term there is further potential for this region with regards to Building C and the potential to move out of the City Centre to a smaller office which would again reduce estate costs. The regional strategy would look to align lease breaks where possible to present further opportunities in the future.

### **Short Term Option**

The analysis undertaken by the Programme team, tempered by the marketability report, has highlighted that there are some short-term opportunities to reduce running costs within the CSR2007 period should the Board wish to pursue them. The Financial Case (section 4.3.3.2) concludes that the 10 year NPV of £18,871,048 is very robust for this option. This field option delivers the most beneficial effect (577k) on resource costs within the three-year CSR2007 period.

The opportunities in the main, arise from sub-letting. There are some opportunities that would present no risk to HSE's delivering its business as there is potential to sub-let additional space. There are some opportunities that would present a degree of risk as they may require the introduction of hot-desking or re-stacking in order to achieve the required space for sub-let. There are then those opportunities that present a higher degree of risk as these entail office closures and re-location. These would require further transition planning.

The level of risk the HSE Board are prepared to take will determine the opportunities and benefits that could be delivered. The HSE Board also need to decide on the level of change the organization can cope with at any one time as there will be contention over resources to deliver all of Field Option A and the preferred HQ option. Delivering all of Field Option A in conjunction with the preferred HQ option is introducing large scale change for the organization.

### **Medium-Long Term options**

The Financial Case demonstrates that the overall NPV for this option is very robust but this is based on the analysis undertaken by the Programme Team and this exercise needs to be completed by incorporating the thoughts and views of the Regional Directors.

It is proposed that the approach outlined in 3.2.1.2 is undertaken with the Regions and the Field Option B be reviewed in consultation with the Regional management teams and a Regional Strategy agreed that can be taken forward as and when opportunities arise and funding is available. These regional strategies will need to be regularly reviewed in the light of changing business and operational needs and decision made close to the time (as dictated by lease end/lease breaks) in light of HSE's future financial position.

### **Recommended Way Forward**

It is recommended that the low-risk initiatives within Field Option A are pursued in conjunction with the chosen HQ option. In addition, Field Option B should be reviewed in consultation with the Regional management teams and a Regional Strategy agreed that can be taken forward as and when opportunities arise and funding is available.

# 4 Financial Case

## 4.1 Programme Delivery Costs

Programme team costs prior to the 4<sup>th</sup> of July 2007 have been treated as sunk costs. Following the 4<sup>th</sup> of July the core programme team is expected to consist of:

- 0.5 x Band 0
- 0.5 x Band 1
- 1 x Band 2
- 3 x Band 3
- 1 x Band 4
- 1 x Band 6
- Targeted consultancy from LogicaCMG and David Lawrence

The salary costs of the programme team are £309,916 per annum. The total costs of the programme team depend on the delivery approach and have been applied to the options accordingly.

In addition to the costs of the core Programme team, support will be required from RPD (HRD, PFPD and BSD) and there is likely to be a requirement for external expertise. All of these costs will need to be worked up and added in to the Business case following the Board decision on the strategic direction for the Programme.

## 4.2 Rose Court Options

### Financial Appraisal

Ten year financial appraisals for the following Rose Court options (excluding the London field force) are included at Annex A:

- A single HQ in Bootle with a small presence in London
- A streamlined HQ presence in London

For both Rose Court options three delivery scenarios have been developed that describe:

- A) The case for fully implementing the option as quickly as feasible assuming no funding constraints

- B) The case for staging the implementation assuming some external funding assistance (£10m from the modernisation fund plus £4m internal funding)
- C) The case for staging the implementation assuming only internal funding is available (£4m internal funding from year end flexibility)

**Comparison of Options**

Figure 4.1 shows the relative costs of the Rose Court options. The appraisals have been calculated over 10 years commencing in year 2008/09.

	SINGLE HQ OPTION A	SINGLE HQ OPTION B	SINGLE HQ OPTION C	DUAL HQ OPTION A	DUAL HQ OPTION B	DUAL HQ OPTION C
<b>TOTAL COSTS</b>	£ 21,798,353	£ 22,162,269	£ 23,034,101	£ 11,719,853	£ 11,719,853	£ 12,431,685
<b>TOTAL SAVINGS</b>	£ 67,123,442	£ 64,588,212	£ 55,249,403	£ 37,403,013	£ 37,403,013	£ 35,462,485
<b>NET SAVINGS (Savings minus Costs)</b>	£ 45,325,089	£ 42,425,943	£ 33,056,527	£ 25,683,160	£ 25,683,160	£ 23,030,800
<b>NET SAVINGS DISCOUNTED (NPV)</b>	£ 35,401,034	£ 32,773,301	£ 25,034,588	£ 19,895,678	£ 19,895,678	£ 17,775,573

**FIGURE 4.1: Relative comparisons of Rose Court options.**

**Sensitivity Analysis**

Based on an analysis of the H&WWW Risk Log the Business Risks that may impact the Financial Appraisal are shown in the following table.

The Business Risks included are only the “High” risks, that is, those with a Probability/Impact of “Medium/High”, “High/Medium” or “High/High”.

<b>BUSINESS RISKS THAT MAY IMPACT...</b>	
<b>COSTS</b>	<b>POTENTIAL IMPACT (SENSITIVITY)</b> For the recommended way forward (Single HQ Option B)
The proportion of Rose Court staff opting to relocate, redeploy or seek severance may vary and impact significantly on the costs of the Rose Court options.  Current assumptions for mobile staff are that 40% relocate, 30% redeploy and 30% are paid off.	If only 20% relocated, 20% redeployed and 60% were paid off the effect on the preferred option NPV would be to reduce it from £32,773,301 to £26,722,601.  Conversely, if 20% relocated, 60% redeployed and only 20% were paid off the effect on the preferred option NPV would be to increase it from £32,773,301 to £42,673,912
<b>BENEFITS</b>	
The current market for letting spare office capacity at Rose Court is very good at the moment. The longer it takes to free up that space the greater the risk that the market may “cool” and the nearer to the lease end the less attractive the	In the worst case scenario (no new space sub-let) the reduction in savings would be £4m per annum, or around £35.4m over ten years. This would reduce the ten-year NPV to £3.1m.

let would be.	
The use of hot-desking for operational staff is contentious. If it was not implemented then less office space in Rose Court could be made available for sub-letting.	This would require HSE to retain an extra half floor, which would reduce savings by £402k per annum, or around £3.6m over the full appraisal period.

The default Sensitivity is +/- 10%, which is a typical tolerance for Time/Cost within a PRINCE2 environment.

For the recommended way forward (Single HQ Option B):

- The current NPV (over 10 years) is currently £32,773,301;
- +/- 10% (10% increase in costs and 10% reduction in benefits) changes the NPV to £25,327,217;
- 10% increase in costs (no change to benefits) changes the NPV to £30,604,547;
- 10% reduction in benefits (no change to costs) changes the NPV to £27,327,217.

#### 4.2.1.1 Thresholds

The thresholds (percentage change) at which the current NPV for the preferred option changes to a negative value are:

- +/-44% (44% increase in costs AND 44% reduction in benefits) OR;
- 152% increase in costs (no change to benefits) OR;
- 61% reduction in benefits (no change to costs).

#### 4.2.1.2 Conclusion

The overall NPV is very robust. The H&WWW thresholds greatly exceed the recommended PRINCE2 thresholds (+10% cost AND -10% savings). The threshold calculations show that reduction in benefits has the greatest impact on the financial case so, whilst costs do need to be controlled, the main emphasis should be on harvesting benefits.

Assuming authorisation to proceed with the recommended way forward a number of steps can be taken during the next phase of the programme to ensure the programme remains within tolerances, these include:

- a) Appoint a Benefits Realisation manager and develop a Benefits Realisation plan;
- b) Develop a marketing plan to maximise the sub-let potential of surplus office space;
- c) Identification of potential ways to minimise staff costs;
- d) Identification of additional quantified benefits.

**Affordability Assessment**

The affordability assessments for the Rose Court options are shown in figure 4.2 below. The impact on HSE resource costs is shown for both the CSR2007 period and for the full ten year appraisal period. A negative figure for total resource costs means that HSE has reduced its expenditure.

Single HQ Option A	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	18,018,353	1,260,000	1,080,000		840,000	600,000						21,798,353
Reduced costs/savings	-2,873,088	-7,266,178	-7,266,178		-7,266,178	-7,266,178	-6,892,668	-6,964,898	-7,037,128	-7,109,358	-7,181,590	-67,123,442
Depreciation	62,000	98,000	98,000		98,000	98,000	36,000					490,000
Cost of capital	7,490	13,265	9,835		6,405	2,975	630					40,600
Undepreciated Assets (Furniture)	1,000,000											1,000,000
<b>Total resource</b>	<b>16,214,755</b>	<b>-5,894,913</b>	<b>-6,078,343</b>	<b>4,241,499</b>	<b>-6,321,773</b>	<b>-6,565,203</b>	<b>-6,856,038</b>	<b>-6,964,898</b>	<b>-7,037,128</b>	<b>-7,109,358</b>	<b>-7,181,590</b>	<b>-43,794,489</b>

  

Single HQ Option B	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	13,761,453	5,572,666	1,124,400		900,000	660,000	143,750					22,162,269
Reduced costs/savings	-1,877,849	-6,364,369	-6,614,369		-7,266,178	-7,266,178	-6,986,046	-6,946,089	-7,017,567	-7,089,045	-7,160,522	-64,588,212
Depreciation	63,920	99,920	108,800		108,800	108,800	44,880	8,880				544,000
Cost of capital	8,401	15,054	11,402		7,594	3,786	1,096	155				47,488
Undepreciated Assets (Furniture)	1,000,000	43,200										1,043,200
<b>Total resource</b>	<b>12,955,925</b>	<b>-633,529</b>	<b>-5,369,767</b>	<b>6,952,629</b>	<b>-6,249,784</b>	<b>-6,493,592</b>	<b>-6,796,320</b>	<b>-6,937,054</b>	<b>-7,017,567</b>	<b>-7,089,045</b>	<b>-7,160,522</b>	<b>-40,791,255</b>

  

Single HQ Option C	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	4,410,353	2,387,916	7,240,416		6,989,166	906,250	481,250	418,750	200,000			23,034,101
Reduced costs/savings	-494,860	-3,554,953	-4,476,478		-5,559,174	-6,612,792	-7,192,249	-7,171,121	-7,051,792	-6,952,108	-7,025,101	-56,090,628
Depreciation	70,000	80,800	97,600		122,800	134,800	64,800	54,000	37,200	12,000		674,000
Cost of capital	10,570	19,726	16,604		12,747	8,239	4,746	2,667	1,071	210		76,580
Undepreciated Assets (Furniture)	1,000,000				73,600							1,073,600
<b>Total resource</b>	<b>4,996,063</b>	<b>-1,066,511</b>	<b>2,878,142</b>	<b>6,807,694</b>	<b>1,639,139</b>	<b>-5,563,503</b>	<b>-6,641,453</b>	<b>-6,695,704</b>	<b>-6,813,521</b>	<b>-6,939,898</b>	<b>-7,025,101</b>	<b>-31,232,347</b>

Dual HQ Option A	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	10,006,853	775,500	312,500		312,500	312,500						11,719,853
Reduced costs/savings	-229,425	-4,195,157	-4,195,157		-4,195,157	-4,195,157	-4,003,352	-4,040,972	-4,078,592	-4,116,212	-4,153,832	-37,403,013
Depreciation	70,600	89,200	89,200		89,200	89,200	18,600					446,000
Cost of capital	6,570	11,578	8,456		5,334	2,212	326					34,475
Undepreciated Assets (Furniture)	1,000,000											1,000,000
<b>Total resource</b>	<b>10,854,598</b>	<b>-3,318,879</b>	<b>-3,785,001</b>	<b>3,750,718</b>	<b>-3,788,123</b>	<b>-3,791,245</b>	<b>-3,984,427</b>	<b>-4,040,972</b>	<b>-4,078,592</b>	<b>-4,116,212</b>	<b>-4,153,832</b>	<b>-25,202,685</b>

Dual HQ Option B	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	10,006,853	775,500	312,500		312,500	312,500						11,719,853
Reduced costs/savings	-229,425	-4,195,157	-4,195,157		-4,195,157	-4,195,157	-4,003,352	-4,040,972	-4,078,592	-4,116,212	-4,153,832	-37,403,013
Depreciation	70,600	89,200	89,200		89,200	89,200	18,600					446,000
Cost of capital	6,570	11,578	8,456		5,334	2,212	326					34,475
Undepreciated Assets (Furniture)	1,000,000											1,000,000
<b>Total resource</b>	<b>10,854,598</b>	<b>-3,318,879</b>	<b>-3,785,001</b>	<b>3,750,718</b>	<b>-3,788,123</b>	<b>-3,791,245</b>	<b>-3,984,427</b>	<b>-4,040,972</b>	<b>-4,078,592</b>	<b>-4,116,212</b>	<b>-4,153,832</b>	<b>-25,202,685</b>

Dual HQ Option C	YEAR 1	YEAR 2	YEAR 3	CSR07	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
	2008/9	2009/10	2010/11	Sub-Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
One off costs	4,410,353	2,387,916	4,476,916		512,750	318,750	193,750	131,250				12,431,685
Reduced costs/savings	-87,400	-3,311,983	-3,644,901		-3,787,401	-4,189,210	-4,116,858	-4,095,730	-4,037,962	-4,076,334	-4,114,706	-35,462,485
Depreciation	70,000	80,800	92,200		100,000	100,000	30,000	19,200	7,800			500,000
Cost of capital	7,525	13,636	10,609		7,245	3,745	1,470					44,230
Undepreciated Assets (Furniture)	1,000,000		32,400									1,032,400
<b>Total resource</b>	<b>5,400,478</b>	<b>-829,631</b>	<b>967,224</b>	<b>5,538,071</b>	<b>-3,167,406</b>	<b>-3,766,715</b>	<b>-3,891,638</b>	<b>-3,945,280</b>	<b>-4,030,162</b>	<b>-4,076,334</b>	<b>-4,114,706</b>	<b>-22,486,571</b>

FIGURE 4.2 – Affordability assessment of the Rose Court options

## **Conclusion & Recommendation**

In the Economic Case (section 3) the Single HQ option is identified as the best all round option when evaluated against Strategic Fit, Cost, Benefits and Risks. If sufficient external funding were available to allow a rapid implementation then Single HQ Option A would be the best financial option as it delivers the best NPV (£35.4m) over 10 years and has the least adverse effect (£4.2m increase) on resource costs within the three-year CSR2007 period.

However, if only £10m of external funding were provided this would allow HSE to implement a Single HQ over two years (Single HQ Option B). This option has a slightly lower NPV (£32.7m) over 10 years and has a greater adverse effect (£6.9m increase) on resource costs within the three-year CSR2007 period. It also requires some £4m of funding from HSE in year one.

The possibility that no external funding will be provided has been examined in Single HQ Option C. With only £4m internal funding in year one and subsequent reinvestment of savings year on year the implementation would take four years to complete. Given the need for HSE to self-fund this option, its adverse effect in the CSR2007 period and the extended timescales, consideration would have to be given to whether HSE would be prepared to accept the risks associated with this option.

Overall, Option B is considered the most manageable scenario, but it is recommended that any opportunities to speed up implementation are taken, for example, if more year-end flexibility is available, or if implementation costs proved to be lower than expected. It is clear that HSE requires significant external funding to offset the adverse effect in the CSR2007 period and achieve the longer-term efficiency improvements of a single HQ.

## **4.3 Field Option**

### **Financial Appraisal**

Ten year financial appraisals for the following Field options are included at Annex B:

- Field Option A - short-term opportunities to reduce running costs within the CSR2007 period.
- Field Option B – mid to long-term opportunities based on the regional scenario approach.

### **Comparison of Options**

Figure 4.3 shows the relative costs of the Field options. The appraisals have been calculated over 10 years commencing in year 2008/09. However, it should be noted that many of the changes envisaged in Field Option B require investment in years 4 and 5 and, therefore, do not allow sufficient time to make a significant return. When consultations with Regional Management Teams have been concluded a 15 year appraisal for Field Option B will be undertaken.

## H&WWW 10 YEAR APPRAISAL SUMMARY SHEET

	FIELD OPTION A	FIELD OPTION B
<b>TOTAL COSTS</b>	£ 2,367,216	£ 14,539,767
<b>TOTAL SAVINGS</b>	£ 25,547,330	£ 40,730,660
<b>NET SAVINGS (Savings minus Costs)</b>	£ 23,180,114	£ 26,190,893
<b>NET SAVINGS DISCOUNTED (NPV)</b>	£ 18,871,048	£ 20,405,464

**FIGURE 4.3: Relative comparisons of Rose Court options.**

### Sensitivity Analysis

Based on an analysis of the H&WWW Risk Log the Business Risks that may impact the Financial Appraisal are shown in the following table.

The Business Risks included are only the “High” risks, that is, those with a Probability/Impact of “Medium/High”, “High/Medium” or “High/High”.

BUSINESS RISKS THAT MAY IMPACT...	
COSTS	POTENTIAL IMPACT (SENSITIVITY)
Mobile field staff resists relocation and contest the mobility clause leading to increased staff costs where a local office is closed, or relocates a significant distance.  Current assumptions are that mobile staff will relocate whilst admin staff are paid off.	
BENEFITS	
The use of hot-desking for operational staff is contentious. If it was not implemented then less office space in filed offices could be made available for sub-letting.	

The default Sensitivity is +/- 10%, which is a typical tolerance for Time/Cost within a PRINCE2

environment. Only Field Option A has been analysed due to the need for Regional consultation for Field Option B.

The current NPV (over 10 years) for Field Option A is £18,871,048:

- +/- 10% (10% increase in costs and 10% reduction in benefits) changes the NPV to £16,518,987;
- 10% increase in costs (no change to benefits) changes the NPV to £18,638,570;
- 10% reduction in benefits (no change to costs) changes the NPV to £16,751,465.

#### **4.3.1.1 Thresholds**

The thresholds (percentage change) at which the current NPV for Field Option A changes to a negative value are:

- +/-81% (81% increase in costs AND 81% reduction in benefits) OR;
- 812% increase in costs (no change to benefits) OR;
- 90% reduction in benefits (no change to costs).

#### **4.3.1.2 Conclusion**

For both options the overall NPV is very robust. The thresholds greatly exceed the recommended PRINCE2 thresholds (+10% cost AND -10% savings).

Assuming authorisation to proceed with the recommended way forward a number of steps can be taken during the next phase of the programme to ensure the programme remains within tolerances, these include:

- a) Work with Regional and Estates Management teams to develop a Benefits Realisation plan;
- b) Develop a marketing plan to maximise the sub-let potential of surplus office space;
- c) Identification of potential ways to minimise staff costs;
- d) Identification of additional quantified benefits.

# 5 Commercial Case

## 5.1 Current Property Commitments

We currently hold leases on 28 buildings excluding the Warehouse in Liverpool, the freehold building in Carlisle and Redgrave Court. If HSE chose to dispose of all of these leases, either due to expiry or by operating a break clause, the soonest this could be achieved would be:

- By 2010 – 9 leases will end or have operable break options; these leases cover 8,054 m2 at an annual cost of £1,554,970
- In addition the lease on Daniel House in Bootle will have expired
- By 2013 – a further 11 leases will have expired or have operable break options; these leases cover 10,297 m2 at an annual cost of £4,969,957
- In addition the leases on Rose Court and St Peter's House, Bootle will have expired
- By 2021 – 5 of the remaining lease will have expired or have operable break options; these leases cover 8,743 m2 at an annual cost of £2,916,261.
- By 2065 – the final existing lease at Basingstoke will expire; this lease is for 1977 m2 at an annual cost of £360,184.

The annual cost of the buildings not included in the above is approximately £16 million – these are Rose Court, Redgrave Court, Daniel House and St Peter's House. There are some short term property events including Glasgow and Ashford and decisions will need to be made regarding these properties in light of the strategic aims of the H&WWW Programme.

## 5.2 Assessment of Marketability of Property

To gain an objective view of the HSE estate our retained estate surveyors were asked to assess all buildings with the exceptions of Rose Court and Basingstoke (because of the unique lease). The buildings were assessed against six pre-determined criteria and the results set out below (Ratings = A, Good B, Average C, Poor):

- Condition of demise - A = 10, B = 14, C = 4
- Location - A = 8, B = 19, C = 1
- Standard of building - A = 7, B = 10, C = 11
- Letability - Average = 18, Below Average = 7, Poor = 4

## **Conclusions**

- It has become apparent as a result of this analysis that the rent currently paid by HSE compared to current market rent differs. There is 1 site where HSE is paying above average and there are 7 offices where HSE is paying below average rent. There are 18, offices which are deemed to be average.
- To achieve a “good” standard of accommodation HSE could expect to pay 50% more rent at 7 locations, up to 25% at 7 locations. It is thought that the remainder are right. This could potentially result in an increase in rent of approximately £1.2million.

## **5.3 Commercial Risks and Mitigation**

The commercial property market has traditionally been, and continues to be, dynamic in nature. The market is continually changing both nationally and in any given location and although a range of experts produce predictions about future trends in different property sectors it is very difficult to assess accurately the ability to sub-let a particular holding. The reason for this uncertainty can be demonstrated by examining the following theoretical example: HSE decides to sublet the 5<sup>th</sup> floor of a 10 storey building in a good quality building in a city centre. Clearly supply and demand have the largest impact on successfully sub-letting this space. The prospects of renting may also be affected by the availability of other vacant space in the building, particularly if, as sometimes happens, this is being let by the landlord. The landlord can undercut HSE's price, whereas the lease arrangement HSE has with the same landlord often prevents us from offering a rent below what we are paying or below the market rent whichever is the higher. A further factor could be that another tenant offers a floor for sub-let in the building which is in a more attractive position. Finally, if the property is situated in a large commercial centre, then the prospects of achieving a sub let may be higher than if it is slightly away from this type of environment.

In a broader context if the national economy is going through a period of sustained growth the commercial property market is traditionally buoyant however there will still be pockets around the country where such buoyancy is less evident. Obviously the reverse is true, if there is a slowing down of the economy or a slump then the property market is adversely affected very quickly.

A very real risk to HSE is, if it is decided to vacate Rose Court, and then subsequently we were unable to sub-let the space we vacate. The risk of this happening is assessed as very low, but the longer we take to vacate the premises then this risk increases.

In mitigation HSE may have to consider, where possible, offering sub-lets at a lower than market rent, or improved incentives to potential tenants such as rent free periods or a financial contribution to ingoing works. This should, of course be coupled with aggressive marketing by appointed agents.

When searching for new premises it must be recognised that, generally speaking, we can only select from properties available in that chosen location. If there is high demand and limited supply clearly market rents will be higher than if the reverse were the case. In practical terms a suitable property will be able to be secured but it may well not be financially attractive. In such cases HSE will need to consider other geographical locations or securing smaller premises and adopting more flexible ways of working.

The marketability analysis highlighted that currently HSE is paying a lot less in rent than the current market price and this presents a significant commercial and economic risk to the cost of the estate.

## 5.4 Property – Key Design Principles

When selecting a new office for HSE there are three main criteria to be considered, location, building and fit-out requirements. Taking each of these in turn:

- Location
  - Within an agreed radius of the town/city centre
  - Good access to road links
  - Safe area for staff to walk
  - Safe public parking within easy reach
  - Good public transport links
  - Reasonable access to amenities – banks, cash points, shops, recreation facilities
- Building
  - DDA compliant
  - Within agreed size requirement based on current HSE standard
  - 10/15 year lease with breaks at 5 year intervals
  - Ability to assign parts of demise
  - IT friendly – suitable for modern IT systems
  - Energy efficient and environmentally friendly – BREEAM rating => Good
  - Some parking with building preferred
  - Adequate floor loading – 4 KN/m<sup>2</sup> +
  - Low noise penetration
  - Suitable for open plan working
  - Meets OGC standards for Government buildings
  - Ideally naturally ventilated
  - Medium level rent for area
- Internal fit-out
  - Application of HSE standard fit-out as per recent Major Property Events –

including, if adopted, a desk provision of 3 desks:4 staff

- Provision of meeting/conference/quiet/PACE rooms as per agreed HSE ratio normally 1 room per 16 staff
- Space planning, in conjunction with nominated local staff, determines the position of workstations, location of meeting/mess room etc plus any special requirements. This is normally an iterative process until a workable solution is agreed
- Where practical double glazed glass partitions (with integral Venetian blinds) are used
- Workstations are a rectangular desk measuring 1800x800 with one under desk pedestal coupled with flat screen IT kit
- Screen between desks are approx 330 mm from desktop
- Storage is accommodated in tambour units – usually provided in two sizes i.e. 1200mm high and 2200 high, in addition mobile racking is provided for corporate storage such as FOCUS or COIN
- A mess room is provided with normal kitchen fittings as are tea points at convenient positions in the building

## **5.5 Impact on Service Providers**

There are two service providers who may be affected by significant changes in the HSE estate, Carillion (Total Facilities Management) and REFIT (IT services and support).

The contract between HSE and Carillion is for a 5 year period and started in April 2005 and there is provision for HSE to alter the size and shape of the estate without penalty.

It would be reasonable to assume that TFM costs, currently running at circa 10% of total accommodation expenditure, would reduce if the size and shape of the HSE estate changes. The level of reduction is difficult to predict but it is unlikely to be in direct proportion to the size of the estate.

Any impact on REFIT would not depend on the number or size of HSE offices but rather on the number of staff that need to be supported. If there was a significant change to HSE's business model eg more formal home working then this may well have a cost and resource implication for HSE, but this is not anticipated. The programme has not yet identified its IT requirements, including any needed to support more collaborative working, so it is not feasible to assess the costs and benefits of any solutions.

## 6 Project Management Case

### 6.1 Programme Roles and Responsibilities

The Programme Board to date has been;

- Jonathan Rees - Chair & SRO
- Gordon MacDonald – Programme Director
- Rachel Russell – Programme Manager
- Colin Douglas – Communications
- V Dews – Resources and Finance
- J Willis – Senior User
- K Myers – Senior User
- D Snowball – Senior User
- P Buckley – Senior User
- S Caldwell – Senior User
- David Lawrence – External Consultant

Taking on board external advice and in keeping with Managing Successful Programmes (MSP) best practice, a steer is requested on a revised and reduced membership of the Programme Board to take effect post July HSE Board decision. This will support the change in the Programme focus to the planning and delivery of the preferred option. This streamlining of the Board will be discussed and agreed with the SRO.

The Programme Board will manage by exception within agreed tolerances (usually +/-10%). The Programme Manager will produce Highlight Reports on a quarterly basis for the Programme Board, reporting on progress against plan and delivery of outcomes against targets.

There are some decisions that the HWWW Programme Board will delegate upwards to the HSE Board; these escalation points need to be agreed i.e. Decision over office closures.

### 6.2 Programme Governance

#### Governance Arrangements

The proposed governance arrangements are depicted in the diagram on the next page



### **Ongoing Resource Requirements**

These staffing estimates represent the minimum to deliver the current project workstreams. The Programme therefore assumes that staff resourcing will remain at current levels for the time being and that adequate finances will be made available to support the identified workstreams. However this is and will remain subject to regular review. Those assumptions apply across the resources made available to the programme; both direct and indirect.

In addition to the Programme Team resources the Programme will require substantial support from HRD, BSD/BEU and EMU there will also be an impact on PFPD work in terms of providing advice and processing expenses claims from staff. It is difficult to say exactly when this is likely to occur and the scale of the impact. There are still some policy issues to be decided and we need to do the detailed planning based on 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 in their initial planning.

### **Methodology**

The Programme Team have worked closely with the workstream leaders to produce plans and material to enable a Board decision to be made in July. We have also taken an initial look for going forward and thought about the activities that may be need to take place post July. Once the formal Board decision has been made, formal planning will be commissioned. The briefing of the work stream leaders will be focussed on the required outputs of the projects and the need to keep abreast of MSP programme management orthodoxy. All projects will be kept under review throughout the duration of the Programme. Given the nature of the programme further projects are likely to be identified in all the workstreams for delivery of the Programme. These will be developed and carried forward provided the required level of resource continues to be made available.

## **6.3 High-Level Plan**

The following Key Milestones have been identified:

- Over the next week:
  - tell staff and the Trade Unions where we have got to;
  - prepare submissions to update HSC and Ministers on the Board decision.
- Over the next month:
  - assemble the Programme team and implement the new governance arrangements described in this section;
  - finalise detailed execution 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;

- Prepare a submission and Business Case for access to the DWP Modernisation fund and for discussion with the HSC;
- Work with Divisional Directors on opportunities for short term property savings and on Regional Strategic Property Plans;
- External stakeholder management.

## 6.4 Analysis of the Preferred Option

This section considers the organisations ability to deliver the preferred option which is Single HQ Option B which is scheduled to be delivered within a 2 year timescale. There are a number of factors that now need to be considered.

### **Clarity to Deliver the Programme**

The first consideration is whether or not there is clarity about what is required to deliver the programme. There is clarity on what needs to be achieved to deliver a single headquarters but there is a strategic aim to improve collaboration for staff. The blueprint needs to be refined in order to state the requirements for delivering this aim. The composition of the programme team will be continually reviewed and adjusted taking account of new requirements.

### **Skills and Capabilities**

The preferred delivery approach does require £10m funding from DWP and this resource has not been agreed as yet. Initial discussion have taken place but the funding has not been confirmed. This does pose a risk to the Programme.

It is felt that the 2-year timescale for this delivery option is far more achievable than within 1 year as it does give adequate time for planning and transition of both moving staff out of Rose Court and re-locating staff in Redgrave Court. One risk that has been identified is ensuring that this programme is given the priority in terms of HSE's overall portfolio of change and that other priorities do not compete in terms of benefits realisation and delivery.

### **Management of Risks**

The Programme already has a risk and issues log which is reviewed regularly by the team and the Programme Board. A transition plan will be developed and implemented to help deliver the Single HQ option in the timescales required. This plan will highlight further risks which will need to be managed.

### **Controlling the Scope**

The blueprint for the programme will be refined in order to achieve the transition to a Single HQ and also achieve the strategic aim of improving collaboration within HSE. This blueprint will be

baselined along with the Business Case. Any subsequent change will need to be assessed in terms of cost and benefit so that the implications of the change are understood.

### **Benefits Realisation**

A Benefits Realisation Strategy has been developed and is in Annex C of this document. This will be further defined into a Benefits Realisation Plan.

### **Governance Controls**

This programme has already adopted the principles of managing successful programmes and does have the relevant governance controls in place with regards to reporting and escalation. These arrangements and controls will be subject to ongoing review to ensure they are fit for purpose. The Programme Board have been identified and three HSE Commissioners have been engaged by the Programme. The Commissioners may want to clarify their role and agree their relationship with the HWWW Programme - a steer from the Board is requested. It is felt that the composition of the Programme and its Board are right at this stage of the lifecycle. The governance arrangements will be reviewed on a regular basis to highlight possible changes as the programme moves forward.

### **Conclusion**

The programme team moving forward will require strong leadership from the HSE Board and clear communication messages for HSE. The Programme Board and team have already been established so there is continuity moving forward. There is clarity on what is required in order to achieve a single HQ however further work is required on defining how collaboration will be implemented in HSE. Given all the considerations above it is felt that the preferred option is achievable.

# 7 Analysis and Conclusion

## 7.1 Analysis of Options

A single HQ emerges as the preferred option taking into consideration the Strategic, Financial and Economic case presented within this Business Case. The key factors in this assessment are:

- This option does more to take forward the aims of the H&WWW Programme
- It presents the best balance between costs, risks and benefits
- And it provides the highest savings in the SR07 Period (although it adds to HSE's overall resource costs)
- It is the option that provides the greatest opportunity for collaborative working in HSE

If a single HQ is agreed as the strategic option, this Business Case then presents three delivery approaches aimed at achieving this strategic aim. There are three considerations: our ability to fund the necessary investment; whether we have the skills and capacity to deliver the change and the amount of change that HSE can take on at any one time.

The longer we take to vacate Rose Court the higher the risk posed by the London property market and our ability to find a tenant. This poses a very real commercial risk. Option A assumes that the full cost of the implementation be met with additional resources (most likely from DWP's Modernisation Fund). On this basis, the estimated costs of the transition to a single HQ could be met in one year. Option B assumes £10m of additional funding and £4m from HSE – this would enable the costs of the move to be met in two years. Option C is based on HSE having to find the total investment from within its own resources. Under this delivery approach the costs of the transition could be met within 4 years.

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

- Speed and therefore access to benefits
- Senior management focus and energy
- Ability to plan, manage and execute the change with a minimum of risk
- Providing staff with sufficient time to consider the options available to them and to plan their future
- Minimising business disruption
- The need to make savings in the SR2007 Period

- The marketability of Rose Court which will decline the closer we get to the lease break in 2013
- Time to plan and deliver the changes to the physical layout in Redgrave Court to accommodate new posts

Faster implementation means savings are made earlier and total savings over ten years are greater.

## **7.2 Conclusions and Recommended Way Forward**

The recommendation based on the analysis presented in this Business Case is that the Single HQ should be adopted as the preferred strategic option. The HSE board are also asked to give a steer on the delivery approach to enable the Programme Team to plan for the delivery of the preferred option.

It is further recommended that the Board agree to the approach for exploring the short term opportunities in the Field and agree the approach to developing regional strategic plans to assess the medium to long term opportunities for rationalising the estate and working towards the H&WWW aims.

## Annex A –Assumptions

Ref	Description	Category
1	The mobility clause will be enforceable for the majority of non-admin full-time staff	Staff
2	For costing purposes only, London HQ staff designated as mobile (80% of staff): assume that 40% relocate, 30% are redeployed to other CS jobs and 30% are paid off.	Staff
3	For costing purposes only London HQ staff designated as non-mobile (20% of staff): assume that 20% are redeployed to other CS jobs and 80% are paid off.	Staff
4	The number of FTE's at 31/03/08 will be as in the affordable staffing plans (326 non-ops staff in Rose Court).	Staff
5	For Field staff designated as mobile (80% of staff) assume that they will relocate and received EDF as appropriate for 3 years.	Staff
6	For Field staff designated as non-mobile (20% of staff) assume that they are made redundant if the office closes, or is moved out of the local area.	Staff
7	The FOD London field force will remain in Rose Court until the lease break in 2013. This assumption may need to be reviewed once the consultative exercise to develop a strategic property plan has been completed (See Section 3.2)	Staff/Financial
8	Recognise that salaries of new recruits will generally be lower than those of the staff they are replacing. Base this on 50% of the difference between the minimum salary for a band and the average salary for that band and apply for 5 years from recruitment.	Staff/ Financial
9	The benefits of collaboration in a single HQ equate to 10% of the salary costs of the relocated posts.	Financial
10	Funding for HQ options - assume that we have: <ul style="list-style-type: none"> <li>£4m end-year flexibility for the self-funding option.</li> <li>£10m from the modernisation fund for the externally funded</li> </ul>	Financial

Ref	Description	Category
	<ul style="list-style-type: none"> <li>option (this can be treated as revenue or capital).</li> <li>the ability to reinvest savings generated from the programme and they can be redistributed across budget heads (recognising that is an unconfirmed assumption)</li> </ul>	
11	Where feasible and beneficial to do so field offices will apply hot-desking at a ratio of 3 desks to 4 staff.	Estate
12	Space allocation target will be on the present policy of 14 / 12 square meters per person.	Estate
13	Where decisions are taken to sub-let spare space assume a one year lag in income for a property with good marketability, an eighteen month lag for average marketability and two years for below average marketability. For property with a poor marketability assume a 4 year lag. Where lease breaks or terminations occur these take precedence over sub-letting assumptions.	Estate
14	Reduce Rose Court building costs to reflect that 3 floors have already been let.	Estate
15	Use current market rate for future lettings at Rose Court.	Estate
16	No assumptions have been made about the impact on income of reducing corporate overheads.	Financial
17	Where staff choose to redeploy, or leave HSE it is assumed that any replacement staff will not attract London Weighting. For those staff who do relocate it is assumed that they will retain their London Weighting allowance for 5 years and then it will be reduced in 20% increments over the following 5 years.	Staff/ Financial

## **Annex B –Risk Register**

[DN: To be added later. A risk register exists for the Programme and this will need to be revised in the light of the HSE Board's decisions on 4 July. The revised register will be reviewed by the Programme Team on a fortnightly basis and will be a standing item on all Programme Board agendas.]

## **Annex C – Benefits Realisation Strategy**

A draft Benefits Realisation Strategy has been prepared but will not fully quality reviewed in time for the Board meeting on 4 July. This will be added as the Business Case develops in the light of Board decisions on the way forward.