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STRATEGIC REVIEW OF GOVERNMENT ACCOMMODATION: KEY ISSUES FOR CONSIDERATION IN THE INTERIM REPORT

This paper was commissioned by the Committee for Finance and Personnel to support consideration of the Strategic Review of Government Office Accommodation - Interim Report. It presents an overview of the Interim Report, identifies a number of socio-economic issues of bearing on the Strategic Review, and identifies key issues for consideration in relation to the questions posed in the Interim Report.

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SUMMARY OF KEY POINTS

- DFP commissioned the Strategic Review of Government Office Accommodation in May 2001, to *'advise on a strategic approach to accommodation planning and on an optimum method of developing and monitoring the Office Estate including innovative arrangements for its funding. The review was also to reassess the existing methodology for assessing the functionality, costs and benefits for specific proposals for locating jobs and to assess the scope for decentralisation.'* (Strategic Review of Government Office Accommodation Interim Report, 2002:1)
- In the course of the Review a number of potentially competing issues were identified in relation to the structure of the Government Estate, dispersal policy, and space utilisation. The Project Board determined that an Interim Report should be produced to identify the options in relation to these issues, inform and enable consultation and enable firm policy decisions to be taken.
- The Northern Ireland Civil Service (NICS) is one of the largest owners of office accommodation in Northern Ireland. The Interim Report indicates that the NICS spends approximately £30m per annum on maintenance and running of office accommodation. Buildings owned by the Government have an asset value in excess of £242m. The NICS is also one of the largest occupiers of office accommodation, with current renting costs for leased accommodation amounts to £8m.
- Across the Government Office Estate there is a perception of lack of space and some 25,000 square metres of office space is in temporary accommodation. Much existing office accommodation is in poor condition, and there is often poor utilisation and management of existing accommodation and resources. The Government Office Estate has been under funded over time, and there are several key buildings below minimum standards of suitability for purpose yet still in use. They represent 72% of the total Government Office area.
- Some 59% of staff are employed within the Greater Belfast Area and the main occupiers of the Stormont Estate are OFMDFM, DARD, DFP, DHSSPS, and DSD. The main departments located in Greater Belfast and Central Belfast are DETI, DFP, DRD, DSD, DOE, and DEL. Those departments with the greatest use of regional office accommodation are DARD, DE, DEL, DOE, DFP, DRD, and DSD.
- In all departments there is little evidence of use of newer technology and working practices such as hot-desking, teleworking and video conferencing. The majority of the departments were seen to communicate and co-operate well with other departments however few of the relationships are identified as key in that they require close proximity for continued effective working.
- There are a number of legislative requirements, socio-economic and political factors present that impact on the Review and the Interim Report. These are explored briefly below and include, health and safety and equality legislation, the review of public administration, the Northern Ireland property market, the Regional Development Strategy, the Executive's commitments in the Programme for Government, equality commitments in new TSN action plans and the DFP equality scheme.

- The Interim Report identifies three dimensions: the structure of the Government Estate, dispersal policy, and space utilisation, and outlines a number of options in relation to each.
- In relation to the configuration of the Government Estate, the options presented are maintain the status quo, reorganise accommodation around the eleven departments, or development of a new Government campus. The options presented in relation to dispersal policy present two options, reactive or proactive dispersal policy. Space utilisation was explored in terms of maintaining existing NICS space standards, or reducing existing space standards, together with improved premises management practices.
- On the basis of the cost-benefit information presented in the option analysis section of the Interim Report, the scope for informed decision making is limited. Without further detailed cost-benefit analysis data, a realistic, sound and accurate *financial case* cannot be presented in relation to the options given for any of the three dimensions identified in the Interim Report. It is possible to argue in favour of most options.
- There are tensions between the prima facie financial costs and benefits and the 'softer' socio-economic costs and benefits, and the political commitments identified in the Interim Report. The case for considerations based on a set of variables broader than the purely financial is convincing, premised as it is on legislative requirements and the cross-party democratic mandate inherent in the Programme for Government. In addition, it attempts to bring together a range of policy commitments across departmental functions to inform the formulation of policy in 'joined-up government'.
- There are a number of further strategic issues committees might wish to address in their ongoing consideration of the questions posed above in relation to the Review of Government Accommodation. The first of these is the absence in the Interim Report of any explicit discussion of Asset Management Strategies and Departmental Investment Strategies. These are primarily issues of prudent and planned financial management and DFP are currently engaged in a process of developing a position paper on this issue for the Executive.
- There are a number of shorter-term issues and developments of bearing on the Strategic Review of Government Accommodation. The most important of these is the completion in year one of Budget 2002¹ of the transition to Resource Accounting and Budgeting (RAB). The implementation of Stage 2 will for the first time show capital charges in departmental accounts and this will have a number of implications for departments.
- Cost of capital charges are calculated as a percentage of the current market value of assets, these charges will increase year on year, without a corresponding increase in departmental baselines to reflect these increased costs. In addition, these costs appear, under RAB, in departmental revenue budgets and will compete for resources with operational programmes.

¹ Budget 2002 covers spending plans for the period 2003/04, 2004/05, and 2005/06.

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1.0 INTRODUCTION: ABOUT THE STRATEGIC REVIEW

This research paper was commissioned by the Committee for Finance and Personnel to support and inform their contributions to the Department of Finance and Personnel (DFP) Strategic Review of Government Office Accommodation². DFP commissioned the Review in May 2001, to

'advise on a strategic approach to accommodation planning and on an optimum method of developing and monitoring the office estate including innovative arrangements for its funding. The review was also to reassess the existing methodology for assessing the functionality, costs and benefits for specific proposals for locating jobs and to assess the scope for decentralisation.' (Strategic Review of Government Office Accommodation Interim Report, 2002:1)

In the course of the Review a number of potentially competing issues were identified in relation to the structure of the Government Estate, dispersal policy, and space utilisation. The Project Board determined that an Interim Report should be produced to identify the options in relation to these issues, inform and enable consultation and enable firm policy decisions to be taken. Notification of the availability of the Interim Report was issued to Committees on March 20th 2002, and the deadline for responses is April 26th 2002.

This paper identifies the key issues for consideration in relation to the Interim Report. Section 2 reviews the present Government Estate and introduces a number of economic and socio-political context factors considered in the conduct of the Review and the analysis presented in the Interim Report. Section 3 presents in summary form the issues identified in the Interim Report as requiring policy formation and guidance prior to option analysis. The final section, Section 4, identifies and discusses some key issues for consideration in relation to the Interim Report.

2.0 ABOUT THE EXISTING GOVERNMENT OFFICE ESTATE

The Northern Ireland Civil Service (NICS) is one of the largest of office accommodation in Northern Ireland. The Interim Report indicates that the NICS spends approximately £30m per annum on maintenance and running of office accommodation. Buildings owned by the Government have an asset value in excess of £242m. The NICS is also one of the largest occupiers of office accommodation, with current renting costs for leased accommodation amounts to £8m. Across the Government Office Estate there is a perception of lack of space and some 25,000 square metres of office space is in temporary accommodation³. Much existing office accommodation is in poor condition, and there is often poor utilisation and management of existing accommodation and resources. The Government Office Estate has been under funded over time, and there are several key buildings (Dundonald House, Hydebank, Marlborough House, Corporation St, Commonwealth House) below minimum standards of suitability for purpose⁴ yet still in use. They represent 72% of the total Government Office area. Some 59% of staff⁵ are employed within the Greater Belfast Area, and this fact together with a political commitment to dispersal, has created renewed interest in the location of civil service jobs.

² Hereafter referred to as the Review.

³ Strategic Review of Government Office Accommodation, Interim Report (p. 2)

⁴ A previous review identified buildings in this category accounting for 16% of total government office space. All of these buildings are still in use. (Ibid.)

⁵ Based on all non-industrial NICS staff

Following the Belfast Agreement and devolution, the NICS was restructured to form eleven departments. Those departments marked * are the new (post-devolution) departments created from elements of other existing (pre-devolution) departments.

Office of the First Minister and Deputy First Minister (OFMDFM)*
Department of Agriculture and Rural Development (DARD)
Department of Arts Culture and Leisure (DCAL)*
Department of Education (DE)
Department of Employment and Learning (DEL)*
Department of Enterprise Trade and Industry (DETI)
Department of the Environment (DOE)
Department of Finance and Personnel (DFP)
Department of Health, Social Services and Public Safety (DHSSPS)
Department of Regional Development (DRD)*
Department of Social Development (DSD)*

At present⁶, the main occupiers of the **Stormont Estate** are OFMDFM, DARD, DFP, DHSSPS, and DSD. The main departments located in **Greater Belfast and Central Belfast** are DETI, DFP, DRD, DSD, DOE, and DEL. Those departments with the greatest use of **regional office accommodation** are DARD, DE, DEL, DOE, DFP, DRD, and DSD. See Annex A for further departmental information about location of premises, staffing levels and grades, and detail on functional activities.

In all departments there was little evidence of use of newer technology and working practices such as hot-desking, teleworking and video conferencing⁷. The majority of the departments were seen to communicate and co-operate well with each other departments however few of the relationships were identified as key in that they require close proximity for continued effective working. There was some fragmentation of departments following devolution, and some difficulties reported in the management of spatially extended departments. Other issues raised related to time and resources expended on travel, and damage to motivation and morale as a result of the present unsatisfactory arrangements. Public access to some Government services was also mentioned as a factor by departments.

Another of the key issues arising from the Review is the role of the Premises Officer. The Premises Officer, drawn from the majority department for each given building, has responsibility for the allocation of accommodation and the day to day management, control and utilization of space, however they appear to have received little training. The high levels of temporary accommodation usage, low standard of much of Government Office Accommodation, and the perceived shortage of space, highlights the importance of good management practices and efficient utilization of resources by premises managers. However, many examples were identified where prime space had been used as storage across departments, and where departments retained space regardless of whether or not it was needed.

2.1 CONTEXT FACTORS INFLUENCING THE REVIEW

There are a number of legislative requirements, and socio-economic and political factors present that impact on the Review and the Interim Report. These are

⁶ As part of the Review and in conjunction with the consultants each government department provided information on the location, staffing levels and grades, and detail of functional activities (categorized as front, middle or back office) for all departmental office accommodation.

⁷ It is important to note that DSD are engaged in a pilot project on teleworking.

explored briefly below and include, health and safety and equality legislation, the review of public administration, the Northern Ireland property market, the Regional Development Strategy, the Executive's commitments in the Programme for Government, equality commitments in new TSN action plans and the DFP equality scheme. Chapter 8 of the Interim Report discusses these factors in detail and highlights some of the difficulties in determining the prioritisation of competing issues. The discussion below presents an overview of the main issues in relation to the questions posed in the Interim report.

All Government Office Accommodation within the NICS Office Estate must comply with all relevant Health and Safety Statutes, Regulations and Orders, Disability and Employment Equality **legislation**. There are a number of properties within the current NICS Estate that, even with significant expenditure and re-engineering, will not meet all the legislative requirements due to the limitations of the original building design.

The **Programme for Government** makes a commitment to investigating the dispersal of Civil Service jobs as part of the Strategic Review of Government Accommodation. In this, the Programme for Government places significant emphasis on the role of **New TSN** in deciding the possible location of dispersed posts as an element in reducing socio-economic differentials between the two communities in Northern Ireland. New TSN policy comprises three complementary elements:

- *it has a particular focus on tackling the problems of unemployment and increasing employment;*
- *it aims to tackle inequalities in areas such as health, housing and education and the problems of disadvantaged areas; and*
- *it includes promoting social inclusion⁸.*

These aims are to be achieved through targeting efforts and available resources within existing departmental programmes. The overall New TSN objective for Central Personnel Group (CPG) and Central Support Group (CSG) within DFP is limited to the provision of policy guidance⁹ (including providing statistical data in conjunction with NISRA), as against actually providing a definitive assessment of where jobs should be located. DFP issued guidance on this issue to departments in March 1999 to be used when departments were making an assessment of dispersal options¹⁰. This guidance attempts to operationalise New TSN through the identification of benefits flowing potentially from dispersal including:

- *the creation of additional employment opportunities in the area (the employment effect);*
- *the introduction of extra spending power by transferring staff to the area (the income effect); and*
- *contributing to relevant physical regeneration efforts.¹¹*

These potential New TSN dispersal effects are the key benefits used in the option analysis of the Interim Report.

⁸ Strategic Review of Government Office Accommodation, Interim Report (p. 56)

⁹ The overall CPG/CSG objective relates to 'contributing, as appropriate, to improving access to employment in disadvantaged areas, as measured by unemployment rates, by ensuring that the potential for dispersal is addressed in accommodation planning.' (Ibid.)

¹⁰ This approach to dispersal proved to be reactive as the guidance allowed a large degree of latitude to departments. (Ibid.)

¹¹ Ibid. (p. 57)

The **Regional Development Strategy** for Northern Ireland (to be completed by 2025) contains a number of policy actions in relation to spatial development, housing, economic development, regional transport, and environmental conservation. It is designed around 'reinforcing and strengthening the hubs, corridors and gateways of Northern Ireland'.¹² The Strategy identifies the Belfast Metropolitan Area, the City of Londonderry and its associated sub-region in the North West, and rural towns as the three main component areas for spatial development in Northern Ireland. Table 8.1 and figure 8.1 of the Interim Report identifies a number of population centres across Northern Ireland with a strategic role for employment and services. Balanced and sustainable development is defined in the Strategy as balancing the need to recognise the important role played by the two largest cities in driving economic growth, with achieving a more balanced spread of growth and economic development opportunities across the urban hubs and transport corridors of Northern Ireland¹³.

The Regional Development Strategy has this to say in support of dispersal.

*'Even on a modest scale this could bring significant local economic benefits, support town centre revitalisation, underpin and encourage private sector investment. An appropriate level of decentralised public and private sector investment would have environmental and economic benefits, reducing commuting to the Belfast Metropolitan area and relieving congestion as well as contributing to the equitable sharing of resources.'*¹⁴

The Interim Report recommends using the Regional Development Strategy as a sound basis for identifying potential areas for relocation of civil service jobs outside the Belfast Metropolitan Area.

The draft **equality impact assessment on the location of NICS jobs**, and the consultation process that follows should provide a range of important information and contributions to inform discussion and decision making on dispersal options.

The focus of the **Review of Public Sector Administration** is on local administration, however it is likely that there will be some impact on departments. In addition, there may be opportunities for collaboration and the development of synergies in relation to New TSN objectives and job dispersal on foot of the Review of Public Sector Accommodation.

The public sector accounts for over 50% of current demand for office accommodation in the **Northern Ireland Property Market**. The Belfast property market is one of the fastest growing in the UK. Rental prices in Northern Ireland are low in comparison with London and Dublin and rental rates vary only slightly across Northern Ireland, differentials that could be easily adjusted through negotiation, given the importance of the public sector as a tenant in the local market. In other jurisdictions high rental rates was one of the key factors driving moves to disperse public sector accommodation. Rental costs do not appear to be a significant factor in the case of Northern Ireland, however the Greater Belfast area is the only source of immediately available large office accommodation. Recent reports from the VLA indicate that demand for leasehold space within Belfast is softening and therefore rents may be expected to fall.¹⁵ As there is little large-scale office accommodation available

¹² Strategic Review of Government Office Accommodation, Interim Report, (p.57)

¹³ Ibid. (p. 58)

¹⁴ Ibid. (p. 59)

¹⁵ Ibid.

outside Belfast, it is suggested that the development of suitable office accommodation in these areas be underwritten in some manner by the government. Results from the Strategic Review indicate that *in purely financial* terms there is no significant benefit to be gained from moving government jobs out of Belfast since Belfast has one of the lowest rent costs in the UK. However, the terms of reference for the Review require a broader measure than the purely financial, and these 'softer' socio-economic costs and benefits are discussed in Section 3 below.

3.0 OPTIONS EXPLORED IN THE INTERIM REPORT¹⁶

The Interim Report identifies three dimensions: the structure of the Government Estate, dispersal policy, and space utilisation, and outlines a number of options in relation to each. The options explored are detailed below. See Annex B attached or Table 13.1 of the Interim Report for the Summary-Option Analysis.

3.1 THE CONFIGURATION OF THE GOVERNMENT ESTATE

Chapter 6 of the Interim Report identifies a number of problems in relation to the current configuration of the Government Office Estate including a lack of matching between organisational and physical structures, a perceived over-representation of certain geographical locations and a continued reliance on some low quality accommodation. In response, three options are presented in relation to this issue.

3.1.1 A TACTICAL RESPONSE OR 'STATUS QUO'

Under this option, the NICS would make small adjustments at the margins of the Estate and address the most obvious anomalies such as isolated outposts and accommodation of poor standard. Change would occur on a tactical and prioritised basis to Departments/building needs as they arose. The estimated Annual Equivalent Cost of this option is £40.2m, equivalent to the current rate¹⁷.

3.1.2 REORGANISATION AROUND ELEVEN DEPARTMENTS

This option would involve the creation of a headquarters building for the majority of the Departments, and a move of Departments to ensure better business efficiency. The location of these buildings could be considered as part of a programme of dispersal. This option is based on the provision of new buildings for a number of departments¹⁸ (freehold) and would require the creation of an estimated additional 27,000 square metres of office accommodation at a build cost of £23.9m. The estimated Annual Equivalent Cost is £44.5m. These costs include building related costs only, however if the proposed new headquarters were located outside Belfast then there would be additional substantial staff transfer and relocation costs.

3.1.3 DEVELOPMENT OF A NEW GOVERNMENT CAMPUS

This option focuses on developing a large campus capable of housing more than one department involving the creation of a substantial new Estate with purpose built buildings, therefore addressing the accommodation quality issue and facilitating inter-departmental co-operation. The Interim Report does not speculate on the scale or location of such a campus, however it does suggest that

¹⁶ Figures used for comparison purposes in this section are based on Annual Equivalent Costs (AEC). This excludes rates, but includes a notional capital charge (non-discounted) of £90 per square metre. It represents the annual opportunity costs in running the Government Office Estate. See chapter 9 of the Interim Report (page 69) for further details.

¹⁷ This £40.2m includes normal repairs and maintenance but excludes any major or exceptional refurbishment.

¹⁸ DOE, DETI – INI, DE/DFP, and DSD.

it is possible that both the departmental business efficiency and NICS wide dispersal objectives could be satisfied by locating two to four departments outside the greater Belfast area in a purpose built campus. (p. 73)

The new build cost is estimated at £53.3m excluding site purchase. This option should provide a total of 60,000 square metres, and enable the removal of temporary and poor quality accommodation from the current Estate. The Annual Equivalent Cost would increase to £49m. The associated dispersal and relocation costs, at £19,079 per job, would be significant. The Interim Report indicates these dispersal and relocation costs could be as high as £83.9m over a period of 1-3 years.

3.1.4 KEY COSTS AND BENEFITS IN RELATION TO THE CONFIGURATION OF THE GOVERNMENT ESTATE

Maintaining the status quo would yield benefit only in the absence of disruption associated with moving. Option 2 along this dimension, re-organisation of the Government Office Estate around the departments is a slightly more proactive approach to reconfiguration of the Office Estate. Departments would benefit from having their own headquarters, and the creation/development of new properties would generate additional economic activity. There is a 4-5 year time delay in the implementation of this option. However this would allow NICS to more fully consider the implications of dispersal. Departments would continue to be managed in isolation, and it is likely that this would have little impact in isolation on space utilisation practices. The more proactive option presented, the development of a new Government Campus would facilitate joint and cross-departmental working. In addition this approach would also go some way towards fulfilling commitments under New TSN and the Regional Development Strategy. Reduced travel to work times and peak-time traffic congestion might also be reduced. However, there is some question as to the effect of producing a second critical mass, both in terms of limiting dispersal to one specific location, and also in terms of the operational impacts of such a move. The lead-time on a project of this nature is 5+ years, however this would facilitate the introduction of changes along the other two dimensions discussed below.

3.2 DISPERSAL POLICY

The Programme for Government includes a commitment to examine dispersal as part of the Review of Government Office Accommodation. However, the rationale and policy aims and objectives of dispersal have never been explicitly stated¹⁹. Coopers & Lybrand in their ex-post review of the Derry dispersal suggested a number of differing aims of dispersal policy. These included political factors (maintaining a NICS presence 'west of the Bann'), equality of opportunity factors (addressing perceived inequalities between Catholic and Protestant communities within NICS), and revitalisation (TSN) effects (creating additional employment, income effects by transferring jobs)²⁰. Discussions of dispersal in the past have tended to emphasise the relocation of NICS jobs from Belfast/North Down to provincial towns. There is some suggestion that this definition obscures the potential for transfer of NICS functions to deprived areas *within* Belfast. In addition, the DFP equality impact assessment on the location of NICS jobs notes that the main focus in dispersal is on locating jobs throughout Northern Ireland, and relocating jobs in the Stormont Estate to more 'religion neutral' locations in Belfast City Centre²¹. The approach to the issue of dispersal adopted in the Interim Report centres on discussion of the *scale and*

¹⁹ Strategic Review of Government Office Accommodation, Interim Report (p76)

²⁰ Ibid.

²¹ Ibid.

mechanism of dispersal, rather than on questions of the fitness of dispersal as a policy in itself. Two options are presented in relation to the scale and mechanism of dispersal.

3.2.1 REACTIVE DISPERSAL

Current NICS guidelines would continue to operate and accommodation requirements would drive dispersal. The Interim Report suggests that this reactive approach could result in the dispersal of 1000 jobs without disproportionate organisational disruption. This volume of jobs could be dispersed through the relocation of certain 'back office' functions, or through transfer of discrete business units. This number of jobs is also well below the number of NICS staff currently identified as working in sub-standard accommodation. Provision of accommodation for 1,000 staff at current NICS standards would result in a demand for approximately 15,000 square metres of office accommodation, increasing the Annual Equivalent Costs for the total Estate to £42.4m. Indicative costs based on the Londonderry dispersal example are estimated at £20.6m in capital costs for new build should this amount of leased accommodation not be available outside Greater Belfast. Again based on the Londonderry example, staff relocation costs are estimated at £19,080 per member of staff or a total just in excess of £19m over a period of 2-3 years.

3.2.2 PROACTIVE DISPERSAL

This approach would be driven by an initiative to adjust the numbers of NICS employed as a proportion of the total working population in a given District Council Area to the Northern Ireland average of 3%.²² Dispersal based on this policy would require the relocation of some 4,400 NICS jobs out of Central Belfast/the Greater Belfast area²³. The dispersal of these jobs across Northern Ireland in line with the model identified at Chapter 8 of the Interim Report is proposed²⁴. Dispersal on such a scale would have to be effected by transferring discrete business units or organisational entities, as there are not sufficient numbers of 'back office' staff to meet dispersal requirements on this scale²⁵. Provision of accommodation for 4,400 staff at current NICS standards would result in a demand for approximately 60,000 square metres of office accommodation, increasing the Annual Equivalent Costs for the total Estate of £49m. Provision of office accommodation on this scale would require Government financed new build, at a capital cost of £82.5m, with associated staff dispersal costs of another £84m.²⁶

3.2.3 KEY COSTS AND BENEFITS IN RELATION TO DISPERSAL POLICY

A reactive dispersal policy would have a number of benefits. It is relatively immediate in implementation, less than 2 years, as this number of jobs could be dispersed without severe impact on the effectiveness of the NICS. The dispersal of 1,000 jobs would bring some economic benefits to the host areas in terms of employment and income effects. However, this option would still leave a disproportionate number of jobs located in Greater Belfast and North Down. A proactive approach to dispersal would bring economic benefits to the host areas as above. However, there is some concern as to the New TSN impacts on those areas from which NICS are dispersed (Greater Belfast / North Down). This option also has

²² Ibid. (p.77)

²³ This figure of 4,400 is the number of NICS jobs it would be necessary to move outside the Belfast area to bring the Belfast total of the percentage NICS staff in line with the Northern Ireland average of approximately 3%. It should be noted that approximately 60% of total Northern Ireland population reside in the Greater Belfast Area.

²⁴ Strategic Review of Government Office Accommodation, Interim Report (p78)

²⁵ Ibid.

²⁶ 4,400 staff at £19,080 dispersal costs per job.

a lead-time of 5 years, and this would be an extended period of disruption within the NICS. However, there are also a number of longer-term benefits in moving to better quality accommodation, and opportunities to introduce newer forms of working practices and new technologies.

3.3 SPACE UTILISATION

There are several factors to be considered in relation to the issue of space utilisation in NICS. Best practice in private sector occupational design has been moving towards open plan working and electronic/technology based working solutions such as call centres and document/information management systems for some time now. More recently in the public sector there has also been some movement in the UK Civil Service (Inland Revenue/DSS) towards learning from best practice in large private sector organisations in relation to working practices and standards in use of space.

Two options are presented in relation to space utilisation.

3.3.1 MAINTAIN EXISTING NICS SPACE STANDARDS

Under this option, the existing NICS space standard (approximately 15 square metres per member of staff) would be maintained. The Annual Equivalent Cost of this option would be £40m.

3.3.2 INTRODUCE NEW NICS SPACE STANDARDS

Reduced average space standards would be applied in line with emerging new standards, thus reducing the overall government offices space requirement. The Interim Report estimates that every reduction of space standard by one square metre will have the potential to generate approximately £700,000 savings in Annual Equivalent Costs.

3.3.3 KEY COSTS AND BENEFITS IN RELATION TO SPACE UTILISATION

While there have been a number of developments in environmental design and electronic working, implementing changes of this nature would require considerable cultural and organisational change across all levels of the NICS. In addition, existing accommodation is largely cellular (small single/low occupancy offices) and there would be excessive costs associated with relocating staff on a temporary basis, introducing new working practices and space standards, and re-engineering the existing buildings in line with new working practices. A further difficulty is that much of the existing Estate is not suitable to this kind of conversion. It is therefore suggested in the Interim Report that realising these cost efficiencies would only be possible in the context of relocation to new buildings with parallel implementation of new technology, working practices and space standards. The indicative costs associated with the reduced space standards option (3.3.2 above) do not include the cost of staff training / retraining, new technology or staff dispersal costs).

4.0 KEY ISSUES FOR CONSIDERATION IN THE INTERIM REPORT

Preliminary analysis of the Interim Report presents a number of key issues for consideration by Committees. The first of these concerns the nature of the questions posed in the Interim Report. On the basis of the cost-benefit information presented in the option analysis section of the Interim Report, the scope for informed decision making is limited. Without further detailed cost-benefit analysis data, a realistic, sound and accurate *financial case* cannot be presented in relation to the options presented on any of the three dimensions identified in the Interim Report.

On the basis of the limited information available about the financial costs and benefits presented, there is a clear case for a number of options. The first of these is the reconfiguration of the existing Office Estate around the eleven departments, providing each department with a headquarters within the Greater Belfast Area. This option would satisfy departments, and make best advantage of the strong position of NICS in the Northern Ireland property market. There is also the potential to introduce new space standards and changed working practices in cases where departments transfer to new buildings, and there are firm financial benefits accruing from marginally reduced space standards per person. The second option in this case is the construction of Government Office Accommodation, either a second campus, or a number of smaller developments. This would entail a longer lead-time, and greater disruption and costs associated with new build and dispersal. However these costs may be offset should departments consider new build through some form of PPP. New build may also bring additional benefits in the form of reduced space standards and changed working practices and organisational design. There is, in the short term, the option to maintain the status quo, however this is not the most satisfactory option. It does have the merit of maintaining costs at a low level, and minimising disruption to NICS.

There are, however, tensions between the prima facie financial costs and benefits and the 'softer' socio-economic costs and benefits, and the political commitments identified in the Interim Report. The case for considerations based on a set of variables broader than the purely financial is convincing, premised as it is on legislative requirements and the cross-party democratic mandate inherent in the Programme for Government. In addition, it attempts to bring together a range of policy commitments across departmental functions to inform the formulation of policy in 'joined-up government'. When the additional *socio-economic and political facets* of the three dimensions and options presented are brought into Committee considerations, it is possible to identify the following parameters within which Committees can formulate their responses.

The Interim Report does not provide firm evidence of financial benefit accruing from dispersal in any of the forms presented. There are, however, indications that socio-economic benefits (income effects, and urban and town centre regeneration) may follow from more balanced regional development, and within this context, dispersal may bring benefits. Decisions in relation to dispersal can also be premised on New TSN considerations and locations for dispersed jobs identified using data from the Noble Indicators, for example. These approaches indicate that benefits can accrue from dispersal, and offer options as to where we might consider relocating dispersed jobs. What cannot be avoided in this situation, is that the design of dispersal policy, while informed by many factors, will ultimately be based in a political commitment to dispersal.

There are a number of further strategic issues committees might wish to address in their ongoing consideration of the questions posed above in relation to the Review of Government Accommodation. The first of these is the absence in the Interim Report of any explicit discussion of Asset Management Strategies and Departmental Investment Strategies. These are primarily issues of prudent and planned financial management and DFP are currently engaged in a process of developing a position paper on this issue for the Executive. Policy development and forthcoming guidance in this area is a positive development and will be of significant benefit in the medium and longer term to both departments and DFP. In the interim, however, there are a number of shorter-term issues and developments of bearing on the Strategic Review of Government Accommodation.

The completion in Budget 2003/04 of the transition to RAB, with the implementation of Stage 2, will for the first time show capital charges in departmental accounts. Capital charges are made up of a cost of capital charge (which represents an opportunity cost on capital employed) and a depreciation charge on assets. This will have a number of implications for departments.

This year, being the first year of the transition to Stage 2, departmental baselines will be adjusted upwards to reflect the cost of capital charges, and the net effect of these changes will cancel each other out in the financial year 2003/04. However, as cost of capital charges are calculated as a percentage of the current market value of assets, these charges will increase year on year, without a corresponding increase in departmental baselines to reflect these increased costs. In addition, these costs appear, under RAB, in departmental revenue budgets (not capital budgets) and therefore will compete for resources with operational (service delivery) programmes. This will have marked implications for asset-loaded departments and those with large Government Office Accommodation portfolios. This effect will be particularly punitive if departmental accommodation is falling below minimum standards for occupancy and/or space is poorly utilised. In the future, there will be clear value for money questions arising from this.

ANNEX A – AN OVERVIEW OF THE NICS DEPARTMENTS

OFMDFM provides services to the Executive. It is primarily based in Stormont Estate but also has staff located at the Arches Centre, Templeton House and Armagh. OFMDFM has approximately 352 staff, of whom 88% are based within Stormont Estate. All of their activities are middle office as the main focus of the department is on policy formulation. The department provides secretariat support to the First Minister and Deputy First Minister. OFMDFM is split throughout the premises of the Stormont Estate and it feels it would be beneficial to the department if it had a more holistic environment to deliver its service.

DARD is responsible for the administration of national economic support for the agricultural industry in Northern Ireland and the implementation of EU policies in this area. Its main offices are Stormont Estate, Stony Road, Newforge, Hydebank and Magnet House. The core staff (706) are based at Dundonald House, making DARD the main inhabitant of Dundonald House. DARD is a fairly well dispersed department, and at present 61% are already dispersed. Significant proportions of staff are considered to be front office, and this reflects the department's role. The department has highlighted a number of important utilization issues with Dundonald House. However, it has also expressed a wish to remain there, on the grounds that the department deals with a wide range of policy issues and that a move from its current premises would be seen as a downgrading of agriculture. It is also important to note that £10m has been already allocated to allow for refurbishment of the Dundonald House, however the inefficient and inflexible design does raise some issues.

DCAL it is responsible for the central administration of arts, cultures, museums, libraries, sport and leisure centres and inland waterways and fisheries, Ordnance Survey Northern Ireland (OSNI), Public Records Office Northern Ireland (PRONI), language policy issues and matters relating to the National Lottery distribution. Main offices are at the Interpoint Centre, Balmoral, Colby House, Regional OSNI offices. At present, 64% of office accommodation is based in Greater Belfast. 75% of their activities are middle office²⁷. The department identified some staffing pressures and space utilization issues at Interpoint.

DE is responsible for advising and implementing the Executive's policy throughout pre-school, primary, secondary education and the Youth Service education within Northern Ireland. The core of the department is based at Rathgael House, Bangor and Waterside House, Londonderry. Staff at the department are mainly middle and back office. Difficulties have been identified for staff, especially junior staff, in travelling to work at these sites without private transport, as public transport to these sites is expensive and badly integrated.

DEL focuses on employment and training. Its main buildings in Belfast are Adelaide House, Commercial Union Building, Ann St, and Long Bridge House, and it feels that this contributes to a lack of corporate identity. At present, 53% of the department is based within Central and Greater Belfast. The department appears to have both front office and middle office functions. It is keen to come together, to reduce fragmentation, wasted resources and to create improvements within the operation of the department.

DETI is responsible for providing a framework for economic development within Northern Ireland. The department has associations with four main NDPBs (IDB, LEDU, IRTU and NITB). It is based throughout IDB House, Netherleigh, Lisburn, Londonderry House Newtownbreda, College Gardens, Ladas Drive and Fermanagh

²⁷ This does not include PRONI and OSNI as they occupy specialist buildings.

House. At present 98% of staff are located within Central and Greater Belfast, and the majority of all staff are middle office. The department is restructuring and merging IDB, IRTU and LEDU to form the Invest Northern Ireland that will have approximately 780 staff and is hoping to have a Central Belfast location.

DOE has responsibility for planning, environment and heritage, road safety and vehicle standards and local government. The core of the department is split between a number of city centre offices and more regional areas like Coleraine. At present 52% of the department is located outside greater Belfast. The staffing numbers are increasing significantly. The majority of the DOE staff performs front or middle office functions. DOE believes that the current fragmentation within its department is having an effect on its delivery of services. Consolidation of the department is sought on grounds of more efficient functioning. It is currently sharing premises with DRD, and both departments have expressed a desire to have independent headquarters.

DFP provides overall financial planning and management to the NICS. It also includes agencies such as GPA, VLA, RCA, BDS, LRNI²⁸, and the Office of Law Reform and Construction Service. It occupies Rathgael House, Bangor, Rosepark House and a number of other locations throughout Belfast and Londonderry. At present 50% of the department is located in Central Belfast. The core of the department is based at Rathgael House. This was to be a temporary measure to facilitate the Northern Ireland Assembly at Parliament Buildings. The department has front, middle and back office functions. It works closely with OFMDFM especially on budgetary issue and provides direct support to the Finance Minister, so considerable time is spent within Stormont Estate. The Department considers returning to Stormont Estate to be a high priority in order to improve the departmental operations.

DHSSPS has 884 members of staff, with 62% located at the Stormont Estate. The majority of its functions are front and middle functions but some 23% of its activities are back office functions. It has also expressed a strong desire to remain on the Stormont Estate and to consolidate its core in one building. The department has a growing workforce, and this is adding to its problems of adequate accommodation. Castle Buildings is currently been refurbished and it is thought that DHSSPS will be moving staff from Dundonald House to Castle Buildings. The department has emphasized that the fragmentation within the department is having an effect on operational efficiency.

DRD is responsible for improving the development of the Northern Ireland infrastructure. This includes accountability for the Road Service and Water Service. The department is spread over a large number of buildings throughout Belfast and other regional sites. At present 61% of staff are located in Greater Belfast. Less than 10% of its staff are back office with a significant proportion classified as middle office staff. Clarence Court hosts 50% of core staff, and the department has indicated it wishes to bring all the department's activities into one building. It is currently sharing a building with DOE, and DRD has calculated that it would have adequate space if DOE moved to another building. Their building at Hydebank has been classified as below standards, being designed as a temporary measure some thirty years ago. At present the Road Service has some 71 people located there.

DSD was formed by removing some functions from DHSS, and it now includes the Social Security Agency and the Child Support Agency. It also has some responsibility

²⁸ Government Purchasing Agency (GPA), Valuation and Lands Agency (VLA), Rates Collection Agency (RCA), Building Design Service (BDS), and Land Registry Northern Ireland (LRNI).

for Urban Regeneration policy and housing. It is the largest employer within central government. At present 53% of its staff are located within Central Belfast, 47 % of the department is defined as front office with 30% classified as back office mainly in the processing of applications. The department is significantly broken down into premises across Central and Greater Belfast. The issue of Churchill House needs to be resolved, as it is unlikely that it will be possible for staff to continue to work there during development.

ANNEX B – SUMMARY OPTION ANALYSIS

Table 13.1, Strategic Review of Government Office Accommodation (p. 85)

Table 13.1
Summary - Options Analysis

Proposition / Option	Annual Equivalent Costs (millions)	Capital Costs (millions)	Implementation Timeframe	Benefits	Considerations
Estate Configuration					
■ Status Quo	£40.2	-	<2 Years	<ul style="list-style-type: none"> Absence of disruption arising from the relocation of staff and also service delivery to citizens and policy makers. 	<ul style="list-style-type: none"> Does not consider the dispersal dimension.
■ Re-organise Departments	£44.5	£23.9	4-5 Years	<ul style="list-style-type: none"> Departments would have their own headquarter buildings. Creation of new properties would generate additional economic activity and also allow Civil Service to fully consider dispersal dimension. 	<ul style="list-style-type: none"> Delay in implementation. Departments managed in isolation.
■ Campus	£49	£53.5 ¹ £83.9 ²	5+ Years	<ul style="list-style-type: none"> Facilitate joined up Government and allow for further efficiencies between departments. Selection of an appropriate site could assist meeting stated targets in new TSN, Regional Development Strategy. Possibly reduced peak time traffic congestion in Belfast. 	<ul style="list-style-type: none"> Distributive impact: this option would provide significant economic benefits to one specific location only. Creation of a second 'critical mass' of civil servants away from the main policy making/political arena could create dysfunctionality for the policy making and political processes. Danger that the unity and cohesiveness of the NICS could be damaged.

¹ Construction and fit-out costs
² Dispersal costs over Years 1-5

Summary - Options Analysis Continued

Proposed Option	Annual Operational Costs (millions)	Capital Costs (millions)	Implementation Time-frame	Benefits	Conditions
Dispersal					
■ Reactive	£42.4	£20.6 (£19)	> 2 years	■ Economic benefits to inward areas in terms of additional employment opportunities, extra spending power from officials and boost to construction industry	■ Appears to be sufficient candidates for dispersal at this level without compromising the overall operational effectiveness of NICS. ■ Will still have a disproportionate number of NICS jobs located in the Greater Belfast/Seeds Down area.
■ Proactive	£49	£22.5 (£24)	> 3 years	■ Economic benefits to inward areas in terms of additional employment opportunities, extra spending power from officials and boost to construction industry	■ Could result in a negative Net-TSN and economic non-benefit impact for Belfast City Council area. ■ Ability of NICS to operate effectively. ■ High levels of dispersal during dispersal period.

Construction and fit-out costs: Dispersal costs over Years 1-3

Summary - Options Analysis Continued

Delineation Option	Annual Equivalent Costs (millions)	Implementation Time-frame	Benefits	Constraints
<p>Space Utilisation</p> <ul style="list-style-type: none"> Existing NICS Standards 	£40	Immediate	<ul style="list-style-type: none"> Necessary disruption associated with building move would not be exacerbated by a simultaneous change of working practices, organisational standards or structures. 	<ul style="list-style-type: none"> No additional constraints other than noted in Estate Configuration above
<ul style="list-style-type: none"> Re-engineer NICS Standards 	£17.6 - £40	24 - 36 Months	<ul style="list-style-type: none"> Changes in working practices required would facilitate joined up government. Introduces flexibility into building use. Current evidence suggests that a properly designed and monitored open office layout can provide a better social and working environment for staff with resultant benefits in morale and absenteeism etc. 	<ul style="list-style-type: none"> Potential disruption caused by changing working practices and also behavioural and cultural resistance to revised space usage.