

VESCO LOCATION REVIEW – STAGE 1 REPORT

SECTION 1: SUMMARY

1. The VesCo Location Project Team was set up to oversee the location review for VesCo, in preparation for the restructuring of Caledonian MacBrayne into two companies, VesCo and OpsCo. The OpsCo operation will continue to be based in the present CalMac HQ in Gourock. The first stage of this review is now complete. This paper provides a report on the first stage of the appraisal and sets out the proposed shortlist of locations.

2. At present, Caledonian MacBrayne Limited (CalMac) owns 30 vessels, and leases a further 2 vessels, to serve the 26 routes in the Clyde and Hebrides network on the west coast of Scotland. CalMac carries some 5.2 million passengers and just over 1 million cars per annum. In 2004 CalMac had a turnover of some £73m, their revenue was some £46.7m, and the Scottish Executive provided a Revenue Deficit Grant of some £26.3m. The company is wholly owned by the Scottish Ministers, who make appointments to the CalMac board.

3. In order to comply with European Regulations on maritime state aids, the Scottish Executive will tender out the operation of the Clyde and Hebridean Ferry Services (CHFS). The proposals for the restructuring of CalMac, the service operators, were developed to ensure that the vessels and the other assets remain in public ownership. Consequently, the existing CalMac will be restructured into two separate companies: a vessel and asset owning company; and a ferry operating company. These two companies have been provisionally named VesCo and OpsCo. VesCo will retain the CalMac company registration number and the CalMac name. Both VesCo and OpsCo will be owned by the Scottish Ministers.

4. As VesCo will be a new body, a location review is required under the Executive's Relocation Policy.

Current location

5. VesCo will have a staff of approximately 10 and will require new office accommodation separate from the existing CalMac Headquarters in Gourock.

6. VesCo will inherit all vessels, harbours and associated infrastructure from Caledonian MacBrayne and lease these to the successful tenderer for the Clyde and Hebridean Ferry Services (CHFS) contract. VesCo will have Statutory Harbour Authority status at all harbours it owns. The harbour functions, including those imposed by statute through to daily operational activities, will be for the new operator to perform under a Harbour Management Agreement with VesCo. VesCo will oversee the discharge of its function, especially where there is a statutory requirement or a health and safety issue, but they will not have day-to-day presence on harbours. A map of the existing CHFS harbours and the principal routes is attached as **Annex A**.

Location Review Process

7. In October 2005, the VesCo Location Project Team was established to carry out the location review. The Team consists of members chosen for their specialist inputs. There are representatives from VesCo Sponsorship Division, Analytical Services, Property Advice Division, and the Relocation Policy Team.

8. In line with the Executive's Relocation Guide, the location review is being conducted in two stages. The outcome of stage 1 is to determine a shortlist of possible locations to be investigated in stage 2. The criteria for determining the shortlist have been agreed by Ministers, and set out in detail in the Relocation Guide.

Core criteria

9. In stage 1, potential locations are compared in terms of the **socio-economic benefit** that would be brought through relocation, and locations are also compared in terms of how **effectively and efficiently** VesCo could operate there. The Relocation Guide recommends an equal weighting of 50% for each of these core criteria. For each of these core criteria, sub-criteria have been identified which can be used to measure socio-economic benefit and efficiency and effectiveness. The Guide sets out the specific indicators which should be used and the weightings assigned to each indicator to compare socio-economic benefit. For efficiency and effectiveness there is a range of indicators from which organisations can select to compare locations. The weighting of these indicators will reflect the specific nature and business of each organisation being reviewed. The core criteria, sub criteria and indicators used in this review, along with their relative weightings, are set out at **Annex B**.

Unique factors

10. The Relocation Guide makes clear that any unique factors should be signalled at this early stage and criteria weighted accordingly to reflect these. For this location review, a significant weighting has been given to *Staff Retention* and to *Stakeholder Access* – especially to the most significant stakeholder, the eventual successful tenderer. There is a need to identify a new HQ for VesCo that could be occupied in April 2006 or soon thereafter. For that reason, at Stage 2 of the location review, significance will also be given to the immediate availability of suitable accommodation.

Conclusions

11. To progress the VesCo location review to timetable, comparison of options began with comparison of data at local authority area level. Locations within the most suitable and deserving local authority areas will be identified from the short-list below at the second stage of the location review. Based on the results of the aggregate analysis (set out at **Section 4**), the shortlist for the VesCo location review is as follows:

- **West Dunbartonshire**
- **North Ayrshire**
- **Inverclyde**
- **Argyll & Bute**

SECTION 2: SOCIO-ECONOMIC FACTORS

12. The socio-economic factors are intended as a measure of the degree to which relocation would assist in meeting Ministers' aim to assist areas of social or economic need. Ministers have agreed three policy aims and their relative importance within the socio-economic criteria. These are set out in **Table 1** below, together with the indicators used to assess each local authority against the sub-criteria.

Table 1: Socio-economic sub-criteria and indicators

Sub - criteria	Indicator
Supporting fragile and declining economies (50%)	Changes in working age population 1991-2001 (50%)
	Population density (50%)
Areas of economic hardship and deprivation (25%)	Scottish Index of Multiple Deprivation (33%)
	Average Weekly Earnings (33%)
	Claimant Count Unemployment (33%)
Share of Public Sector Employment (25%)	Public Sector Employment by Local Authority Area (100%)

13. The first policy aim involves “*supporting fragile and declining communities*”. Indicators used to help assess the recent impact include the change in working age population between 1991 and 2001 (measured through census returns), which gives an accurate assessment of how each local authority's population demographic has changed in recent years. An assessment of each local authority's population density provides an indication of how sparsely the local population is spread out. Both of these indicators are published by GRO Scotland.

14. The second policy aim within the socio-economic criterion involves “*supporting areas of economic hardship and deprivation*.” There are three indicators used to help highlight areas of greatest need, with the greatest potential to benefit from relocation. The first indicator is the Scottish Index of Multiple Deprivation (SIMD). This is a composite index that combines a wider range of individual measures, each looking at different aspects of deprivation. Included are factors looking at income, employment, health, education and geographic access to services. Although this indicator also includes measures of income and employment, the SIMD is concerned with the concentration of these elements within a local authority area as opposed to averages. The second indicator is average weekly earnings. As part of the annual New Earnings Survey, the Office of National Statistics compiles average gross weekly earnings figures by local authority. The third indicator is the level of claimant count unemployment as compiled monthly by the Office of National Statistics. Each local authority is ranked under the 3 indicators. The 3 rankings are then averaged to arrive at a ranking of economic hardship and deprivation.

15. The third policy aim involves “*sharing the benefits of public sector employment*”. This aim fits with the decentralisation and dispersal objectives of the Relocation Policy. The

indicator used to identify communities which would benefit most from relocation is the level of employment in the public sector within a local authority area, as a proportion of total employment in that local authority area.

16. The results of the socio economic analysis and the rankings for this criterion are set out in **Table 2**, below. The rankings are set out 1 – 32 (32 being the most suitable for location). The information on which this ranking has been based is set out in full at **Annex C**.

Table 2: Socio-economic Rankings

Local Authority	Socio-Economics rank	Local Authority	Socio-Economics rank
North Ayrshire	31	East Dunbartonshire	16
Dumfries & Galloway	31	Fife	14
West Dunbartonshire	30	Dundee City	14
East Ayrshire	29	Perth & Kinross	13
Inverclyde	28	Scottish Borders	12
South Lanarkshire	26	Aberdeenshire	11
Highland	26	West Lothian	9
Shetland Islands	25	Midlothian	9
South Ayrshire	24	Clackmannanshire	8
Argyll & Bute	23	Falkirk	7
Eilean Siar	22	Edinburgh, City of	5
Angus	21	Moray	5
North Lanarkshire	19	Aberdeen City	4
Orkney Islands	19	Stirling	3
Renfrewshire	18	East Lothian	2
Glasgow City	17	East Renfrewshire	1

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SECTION 3: EFFICIENCY & EFFECTIVENESS

17. In conducting a location review it is essential that for each potential location the impact on the organisation's efficiency and effectiveness is considered thoroughly. The location review itself can be a catalyst for business improvement, as it provides an opportunity to evaluate and challenge existing business practice. Relocating then provides a practical opportunity to make improvements in efficiency and effectiveness. The benefits that relocation can bring to efficiency and effectiveness, as well as the risks to business continuity associated with change must be fully balanced. There is a range of sub-criteria with which locations can be compared and ranked, and the nature of the organisation will determine which sub-criteria should be used in location reviews.

Sub-criteria

18. The following sub-criteria and their relative weightings were identified as being relevant to the measure of business efficiency and effectiveness for VesCo:

- Staff retention – 25%
- Availability of labour – 25%
- Main stakeholder accessibility – 25%
- Sustainable transport links – 25 %

19. It was agreed that each of the criteria should be assigned equal weightings, as each factor would play an equally important role in the business efficiency of the organisation. The methodology and indicators used to assess the local authority areas are set out below.

Staff retention

20. Although the restructuring of CalMac will lead to the creation of a new asset owning company, the continuity of the existing staff pension scheme requires that at least one pension scheme member must be retained within the new company. This condition is critical to the restructuring, and so has been given significant weight. It is clear that the closer to the existing HQ in Gourock that VesCo locates then the more likely that the staff retention goal will be met. Local authorities are therefore ranked by accessibility to the Gourock HQ. Scores are awarded for local authorities along the following:

- 3 for authorities within 1 hour public transport from Gourock;
- 2 for authorities within 2 hours public transport from Gourock; and
- 1 for authorities over 2 hours public transport from Gourock.

Availability of labour

21. VesCo is likely to employ a high percentage of staff with degree qualifications. The company will therefore need to be close to areas with this type of labour pool. The Scottish Household Survey (SHS) supplies data on the percentage of the workforce in each local

authority area with first or second degrees. This was therefore used to rank local authorities, largest percentage first (32) and lowest last (1).

22. It is acknowledged that there are slight weaknesses in this approach. For example, the SHS does not disaggregate by subject of degree (information on the number of engineering degrees would have been helpful). Our methodology also means that the potential labour pool in adjacent authorities are not taken into account ie people could live in one authority and work in another. Nevertheless, it was agreed that, in the absence of any other information, it provides a reasonable indicator of the availability of potential recruits within the local authority area.

Main stakeholder accessibility

23. Although VesCo should not be co-located with OpsCo, especially during any tendering process in which OpsCo will be involved, VesCo staff will meet regularly with whoever wins the tender, at the present OpsCo HQ. There will be other significant stakeholders – including the Scottish Ministers and the Transport Group within Enterprise, Transport and Lifelong Learning Department. VesCo staff will meet regularly with a range of stakeholders and delivery partners in the transport sector. It will therefore be essential that locations to be considered should allow reasonable access for these stakeholders.

24. To rank locations it was therefore decided to compare the time taken to travel by public transport to each of the most significant stakeholders - in Glasgow and Gourock. The travel times were scored, as with Staff Retention, above, and weighted according to frequency of contact, in the ratio set out below:

- OpsCo, based in Gourock (75%);
- The Maritime and Coastguard Agency (MCA), based in Gourock (10%). The MCA require to inspect the vessels on an annual basis as part of an annual statutory maintenance cycle; and
- ETLLD sponsoring division, based in Edinburgh (15%).

Sustainable transport links

25. It is essential that the new location offers sustainable transport access for VesCo's staff and stakeholders. By utilising the available information on transport links throughout Scotland a score has been derived for each local authority. The transport links for which measures have been made are – rail, bus, road, ferry and air. The most significant weighting has been given to Road links (40%). With Rail and Bus each being weighted at 20%, and Air and Ferry at 10%. Each Local Authority Area has been awarded a score ranging from 1 to 5 for each of the sub-criteria (very good – 5; good – 4; reasonable – 4; poor – 2; very poor – 1).

Efficiency & Effectiveness Ranking

26. The results of the overall efficiency and effectiveness rankings are set out in **Table 3**, below. The rankings are set out 1 – 32 (32 being the most suitable for location). The information on which this ranking has been based is set out in full at **Annex C**.

Table 3: Efficiency and Effectiveness Rankings

Local Authority	Efficiency & Effectiveness rank	Local Authority	Efficiency & Effectiveness rank
Glasgow	32	Midlothian	16
Edinburgh	31	East Lothian	15
Renfrewshire	30	Scottish Borders	14
East Renfrewshire	29	Dundee	13
East Dunbartonshire	28	Perth & Kinross	11
Argyll & Bute	27	West Lothian	11
West Dunbartonshire	26	Falkirk	10
Stirling	25	Angus	9
South Ayrshire	24	Highland	8
Inverclyde	23	Clackmannanshire	7
North Lanarkshire	22	Dumfries & Galloway	6
North Ayrshire	21	Eilean Siar	5
Fife	20	Shetland	4
East Ayrshire	19	Aberdeenshire	3
Aberdeen City	17	Orkney	2
South Lanarkshire	17	Moray	1

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SECTION 4: STAGE 1 AGGREGATE RANKINGS

27. The summarised rankings for socio-economic benefit and for efficiency and effectiveness are set out above in **Sections 2** and **3** respectively. When these rankings are aggregated local authority scores are set out in **Table 4**, below.

	Socio-Economics	Efficiency & Effectiveness	Overall
Aberdeen City	4	17	7
Aberdeenshire	11	3	2
Angus	21	9	16
Argyll & Bute	23	27	29
Clackmannanshire	8	7	3
Dumfries & Galloway	31	6	21
Dundee City	14	13	12
East Ayrshire	29	19	25
East Dunbartonshire	16	28	24
East Lothian	2	15	4
East Renfrewshire	1	29	16
Edinburgh, City of	5	31	20
Eilean Siar	22	5	12
Falkirk	7	10	4
Fife	14	20	18
Glasgow City	17	32	28
Highland	26	8	18
Inverclyde	28	23	30
Midlothian	9	16	10
Moray	5	1	1
North Ayrshire	31	21	31
North Lanarkshire	19	22	22
Orkney Islands	19	2	7
Perth & Kinross	13	11	9
Renfrewshire	18	30	25
Scottish Borders	12	14	11
Shetland Islands	25	4	15
South Ayrshire	24	24	25
South Lanarkshire	26	17	23
Stirling	3	25	14
West Dunbartonshire	30	26	32
West Lothian	9	11	6

28. The top 4 most deserving and suitable local authorities identified in the location review stage 1 are therefore: **North Ayrshire**, **Inverclyde**, **Argyll & Bute**, and **West Dunbartonshire**. The next highest scoring authority is **Glasgow**, followed by **South** and **East Ayrshire**.

SECTION 5: SHORT-LISTING LOCATIONS

29. Having identified the most suitable and deserving local authorities to be considered for the location of the new VesCo HQ, at the second stage of the review the LPT will focus on realistic location opportunities within these local authorities. There are unique factors to consider which will help determine the most suitable final location, and one of the most significant factors will be the availability of suitable accommodation.

30. Local authorities and enterprise companies have provided details of properties or development sites that could be investigated in stage 2 of the review. As VesCo staff numbers will be relatively small, location opportunities from the Small Unit Initiative list of potential locations should also be considered at stage 2. The list of potential opportunities within the most suitable and deserving local authority areas are set out, below, in **Table 5**.

Local Authority	Opportunity
North Ayrshire	Ardrossan Harbour
	Irvine Harbour
	Millport
Inverclyde	Riverside
	Cartsdyke, Greenock
	Port Glasgow
Argyll & Bute	Oban
	Helensburgh
	Dunoon
West Dunbartonshire	Clydebank Business Park
	Clydebank

Property Availability

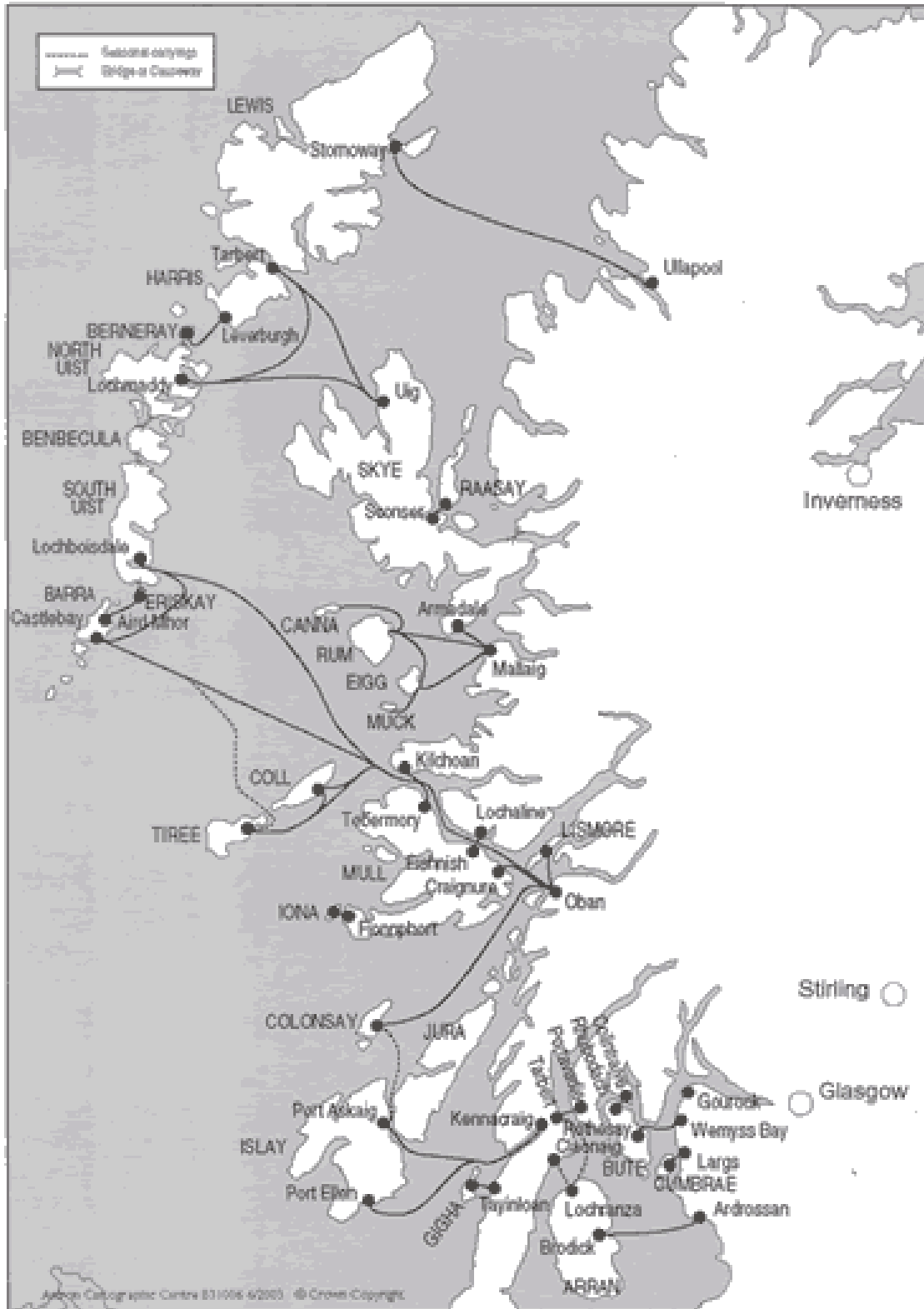
31. A very general property specification was agreed with regard to size – it was recommended that 185m² would be required to accommodate the anticipated 10 staff that VesCo is likely to employ.

32. The aim is to secure entry by April 2006. The Executive has a minimum standard of accommodation – some of the criteria used to assess suitability are set out in the Relocation Guide. As a minimum any building will have to be Disability Discrimination Act compliant, and should have a reasonable BREEAM rating to minimise environmental impact.

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CLYDE & HEBRIDES FERRY SERVICE ROUTES



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CORE CRITERIA, SUB CRITERIA, WEIGHTINGS AND INDICATORS

Core Criteria (weighting)	Sub - criteria	Indicator
Socio-economic factors (50%)	Supporting fragile and declining economies (50%)	Changes in working age population 1991-2001 (50%)
		Population density (50%)
	Areas of economic hardship and deprivation (25%)	Scottish Index of Multiple Deprivation (33%)
		Average Weekly Earnings (33%)
		Claimant Count Unemployment (33%)
Share of Public Sector Employment (25%)	Public Sector Employment by Local Authority Area (100%)	
Efficiency and Effectiveness (50%)	Proximity to Main Stakeholders/Delivery partners (25%)	Proximity of main stakeholders and delivery partners to each local authority area (100%)
	Availability of labour (25%)	Percentage of LA workforce with first or second degree (100%)
	Staff retention (25%)	Travel time from existing HQ (100%)
	Sustainable Transport Links (25%)	Rail (20%)
		Bus (20%)
		Road (40%)
		Ferry (10%)
Air (10%)		

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WEIGHTED SCORES AND RANKINGS

1. The stage 1 analysis is based on scoring each local authority against each criteria and sub criteria using a score of 1 to 32. A higher score indicates that a local authority is more suitable for relocation, and a lower score an area that is less suitable. The scores are then weighted using weightings as set out at Annex A.

Socio-economic indicators – scores and rankings

Local Authority	% Change in working age population (1991-2001)	Population Density (people per sq. km)	Combined ranking	Scottish Index of Multiple Deprivation: Average Score	Claimant unemployment	Earnings	Combined ranking	% Public sector employment	Public sector employment ranking
Aberdeen City	0.21%	1,112	3	9.82%	2.01%	£468.50	4	24.0%	31
Aberdeenshire	5.87%	36	12	1.44%	1.33%	£384.10	3	24.9%	30
Angus	-0.42%	49	21	4.54%	2.91%	£372.90	22	32.3%	10
Argyll & Bute	-3.03%	13	31	7.26%	2.62%	£402.50	13	38.6%	1
Clackmannanshire	-0.33%	301	10	25.64%	3.87%	£365.80	30	34.4%	4
Dumfries & Galloway	-1.40%	23	29	8.10%	2.66%	£364.80	24	29.8%	15
Dundee City	-6.27%	2,392	16	41.63%	4.83%	£409.00	27	36.0%	2
East Ayrshire	-3.69%	95	28	26.21%	4.63%	£441.40	23	33.0%	8
East Dunbartonshire	-5.03%	613	19	3.82%	1.64%	£417.80	2	27.8%	24
East Lothian	4.65%	134	6	2.61%	1.79%	£403.70	4	29.6%	17
East Renfrewshire	1.14%	516	4	6.72%	1.72%	£383.50	9	31.5%	13
Edinburgh, City of	5.73%	1,700	1	12.87%	3.25%	£441.40	13	27.1%	27
Eilean Siar	-8.80%	8	32	0.00%	2.54%	£380.10	8	35.5%	3
Falkirk	1.17%	491	4	14.00%	3.34%	£416.00	20	28.1%	23

Local Authority	% Change in working-age population (1991-2001)	Population Density (people per sq. km)	Combined ranking	Scottish Index of Multiple Deprivation: Average Score	Claimant unemployment	Earnings	Combined ranking	% Public sector employment	Public sector employment ranking
Fife	0.92%	266	8	13.70%	4.55%	£380.50	26	29.2%	19
Glasgow City	-5.51%	3,288	13	57.73%	5.07%	£410.10	28	32.1%	12
Highland	2.37%	8	26	6.01%	2.53%	£380.60	15	29.6%	16
Inverclyde	-7.19%	518	24	42.14%	4.63%	£385.70	31	33.1%	6
Midlothian	-0.60%	225	16	4.98%	1.99%	£413.00	6	29.5%	18
Moray	3.31%	39	13	0.00%	2.31%	£366.90	9	33.0%	7
North Ayrshire	-1.51%	154	24	28.91%	5.30%	£399.90	28	28.9%	21
North Lanarkshire	-1.28%	685	8	36.62%	3.43%	£391.40	25	26.3%	29
Orkney Islands	-0.42%	20	27	0.00%	1.35%	£361.35	7	32.5%	9
Perth & Kinross	6.46%	26	10	2.44%	2.17%	£375.30	12	26.5%	28
Renfrewshire	-2.59%	655	15	28.04%	2.93%	£439.10	17	28.4%	22
Scottish Borders	2.61%	23	19	2.91%	1.63%	£445.30	1	29.1%	20
Shetland Islands	-0.96%	15	29	0.00%	1.73%	£331.30	9	32.3%	11
South Ayrshire	-0.93%	91	23	13.26%	3.68%	£420.60	17	30.4%	14
South Lanarkshire	-1.01%	171	21	22.23%	2.91%	£427.50	16	27.7%	25
Stirling	6.27%	39	7	7.49%	2.82%	£384.00	17	33.5%	5
West Dunbartonshire	-2.45%	581	16	36.82%	4.57%	£360.60	32	27.2%	26
West Lothian	8.74%	377	2	13.25%	2.86%	£389.40	20	19.6%	32

Efficiency & Effectiveness – scores and rankings

Local Authority	Travel time from current HQ	Staff Retention Rank	Higher/second degree %	Availability of Labour Rank	Travel time to OpsCo	Travel time to ETTLD	Travel time to MCA	Stakeholder Access Rank	Air Links	Rail links	Bus Links	Road Links	Ferry Links	Transport Rank
Aberdeen City	1	1	22	27	1	1	1	1	5	5	5	5	1	30
Aberdeenshire	1	1	12	12	1	1	1	1	1	2	2	2	1	2
Angus	1	1	15	21	1	1	1	1	2	3	3	3	1	21
Argyll & Bute	3	25	15	21	3	1	3	25	1	2	2	2	5	11
Clackmannanshire	1	1	11	9	1	2	1	10	1	1	2	2	1	1
Dumfries & Galloway	1	1	7	2	1	1	1	1	1	2	3	3	1	16
Dundee	1	1	12	12	1	2	1	10	2	5	4	5	1	29
East Ayrshire	3	25	9	5	3	1	3	25	3	2	2	2	1	5
East Dunbartonshire	2	20	24	30	2	1	2	20	3	3	2	2	1	14
East Lothian	1	1	23	29	1	3	1	15	1	2	2	3	1	11
East Renfrewshire	3	25	22	27	3	2	3	28	3	2	2	3	1	16
Edinburgh	2	20	31	32	2	3	2	24	5	5	5	5	1	30
Eilean Siar	1	1	12	12	1	1	1	1	3	1	1	2	5	5
Falkirk	1	1	11	9	1	3	1	15	2	4	3	4	1	25
Fife	1	1	13	18	1	3	1	15	2	4	4	4	1	27
Glasgow	3	25	16	24	3	3	3	32	5	5	5	5	2	32
Highland	1	1	14	20	1	1	1	1	1	2	2	2	5	11
Inverclyde	3	25	9	5	3	2	3	28	2	2	2	2	3	9
Midlothian	1	1	13	18	1	3	1	15	3	3	3	4	1	24
Moray	1	1	6	1	1	1	1	1	1	3	2	2	1	5
North Ayrshire	3	25	8	3	3	1	3	25	3	2	2	2	2	9
North Lanarkshire	2	20	8	3	2	2	2	22	2	3	3	3	1	21
Orkney	1	1	10	8	1	1	1	1	2	1	1	2	5	3
Perth & Kinross	1	1	16	24	1	2	1	10	1	2	3	3	1	16
Renfrewshire	3	25	15	21	3	2	3	28	3	2	3	4	1	23
Scottish Borders	1	1	17	26	1	2	1	10	1	2	3	3	1	16
Shetland	1	1	12	12	1	1	1	1	2	1	1	2	5	3
South Ayrshire	2	20	12	12	2	1	2	20	3	2	2	3	1	16
South Lanarkshire	2	20	12	12	2	2	2	22	1	2	3	2	1	5
Stirling	1	1	24	30	1	2	1	10	1	4	5	5	1	28
West Dunbartonshire	3	25	9	5	3	2	3	28	2	2	2	3	1	15
West Lothian	1	1	11	9	1	3	1	15	3	2	3	5	1	26

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