

Board Meeting Paper	
May 13 BM 5.4	
Report for	Decision <input type="checkbox"/> Information <input checked="" type="checkbox"/>
Restricted or confidential Information?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If confidential, protective marking ¹	
Date of Meeting	16 May 2013
Agenda Item	5.4
Report Title	Transition cost summary
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1. Summary

Updated summary of transition and restructuring costs presented to Audit Committee in January 2013

2. Recommendations

The board are asked to note the summary of transition costs shown below which was provided to the Audit Committee in January, and has been updated to 31 March 2013

3. Further details

Summary of transition and restructuring costs

	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Fixed pay	-	-	347	
Fixed overheads	-	-	262	84
Variable overheads	-	-	63	2
Project costs:				
Website	-	-	40	6
External support	-	-	17	-
Office move to Drummond Gate	196	319	-	-
Office move to Piccadilly Gate	-	132	(4)	(4)
Office move to Fleetbank House	-	-	6	184
Payroll contract rentender				16
Total excluding redundancy costs	196	451	731	288
Redundancy costs:				
Redundancy costs paid (including administration)	-	-	639	11
Compensation in lieu of notice	-	-	379	12
Total	196	451	1,749	301

Fixed pay costs are mainly the salary costs for those staff whose posts were made redundant in June 2011 plus salary costs for HR and Change managers

Fixed overheads in 2011-12 are mainly the rent costs for surplus space at Drummond Gate, and in 2012-13 the property costs for the period of the concurrent leases in London, pending relocation within government estate

Variable overheads in 2011-12 are mainly the overheads (mobile phones, travel and subsistence, outplacement support) associated with those staff whose posts were being made redundant

¹ ie RESTRICTED plus COMMERCIAL / POLICY / STAFF / PERSONAL PROTECT

Funding for transition costs

Additional funding was agreed with the Department for the office moves in 2009-10 and 2010-11. In 2011-12 the Department provided an additional £1m to cover the costs of Transition.

Although redundancy payments were made in 2011-12 and 2012-13 the funding for the redundancy costs was provided in 2010-11 and was realised from favourable variances. The favourable variances were as a consequence of the recruitment freeze, pay freeze and scaling down or suspension of some of our planned research and other activities due to the spending controls and delays in project approval from the Department.

Additional funding of £460,000 was provided in 2012-13 for Transition. The actual costs incurred, and drawn down from the Department, for relocation and recruitment totalled £288,000 because we achieved a rent free period, costs of the fit out and the move were lower than budgeted, we surrendered the Drummond House lease a month earlier than forecast and dilapidations are a contingent liability linked with the ultimate surrender of the Drummond House head lease by the government, in addition costs for board recruitment were minimised through a single selection exercise.

4. Implications – Financial, Risk, Legal, Staffing, Equalities

There are no specific implications arising from this paper

5. Background information**Office relocations:**

The London office relocation from Whittles House to Drummond Gate in 2009-10 was necessitated by the expiry of the main lease at Whittles House. The space taken at Drummond Gate was in anticipation of additional responsibilities for air passenger representation.

The Manchester office relocation from Wellington House to Piccadilly Gate was scheduled as part of a temporary move from Piccadilly Gate to allow refurbishment of the building.

The London office relocation from Drummond Gate to Fleetbank House was necessary to release the surplus space and provide appropriately sized offices for the number of staff following restructuring and saves around £200,000 per year.

Redundancy costs

The costs for redundancy and compensation in lieu of notice were fully provided in the 2010-11 accounts although not paid until 2011-12 and 2012-13. All payments were in line with the civil service compensation scheme and the scheme was approved by the Cabinet Office.