FINANCE COMMITTEE

HISTORIC ENVIRONMENT SCOTLAND BILL

The above Bill was introduced in the Scottish Parliament by the Cabinet Secretary for Culture and External Affairs on 3 March 2014.

The estimated financial implications of the Bill's provisions are set out in the Financial Memorandum (FM) accompanying the Bill (page 24 of the Explanatory Notes).

The Finance Committee has responsibility, within the parliamentary scrutiny process, for the examination of the cost implications of Bills. The Committee has agreed to invite written evidence on the FM and is seeking a response to the specific questions below.

The Financial Memorandum

Introduction, Summary and Methodology (paragraphs 1-22)

The FM states that “the Bill establishes Historic Environment Scotland (HES) as a non-departmental public body (NDPB), which will deliver the functions currently delivered by Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS).”

The FM explains that the creation of HES “comes within the context of Scotland’s first Historic Environment Strategy, which the body will be a lead partner in delivering.”

The FM states that “whilst the intention of the Bill is not to generate savings, there is the potential for net savings were the new body to achieve charitable status”.

The FM notes that “the costs of creating the new body are analysed using the framework of the Audit Scotland Good Practice Guide.” It also explains that any efficiency savings realised would be re-invested in the new organisation and would offset any transition costs.

The FM states that “in line with good practice an optimism bias has been applied to costs.” A more detailed description is provided in paragraphs 77 to 81 of the FM
Costs on the Scottish Administration (paragraphs 24 – 81)
A table setting out the estimated one-off costs associated with the creation of HES is provided after paragraph 24 of the FM. This includes costs incurred in 2013/14 and 2014/15 relating to preparatory work as well as post-implementation costs incurred between 2015/16 and 2017/18. Over this five-year period, total one-off costs are expected to amount to £5,025,000.

Of these total one-off costs, £2,930,000 relates to staffing costs, £150,000 to branding and website activities, £30,000 to heritage management, £1,165,000 to the transition programme, £700,000 to ICT costs and £50,000 relating to estates.

The FM provides a more detailed description of the basis for these estimated one-off costs in paragraphs 25 to 49.

A further table setting out estimated recurring additional costs is provided after paragraph 50 of the FM. This indicates that recurring costs are expected to amount to £1,518,000 in 2015/16 rising to £1,628,000 per annum from 2016/17 onwards.

The FM states that “the principal areas of recurring costs relate to additional taxation costs and ICT” (£885,000 and £209,000 respectively) The FM also provides estimated recurring costs relating to staffing (£25,000), heritage management (£90,000), administration (£30,000), vehicles (£94,000) and estates (£185,000).

The FM provides a more detailed description of the basis for these estimated recurring costs in paragraphs 51 to 67.

Savings (paragraphs 68 – 76)
A table summarising expected savings arising from the Bill is provided after paragraph 68 of the FM. This indicates that savings of £797,000 are expected in 2013/14 and that recurring savings of between £1,354,000 and £1,409,000 are expected from 2014/15 onwards.

The FM states that “the vast majority of these efficiencies relate to savings from staffing costs…without detriment to current terms and conditions for staff.” Smaller savings relating to administration and ICT costs are also expected.

A more detailed description of the basis for these estimated savings is provided in paragraphs 70 to 76 of the FM.

Costs on local authorities (paragraphs 82 - 85)
The FM does not expect local authorities to incur any additional costs as a result of the Bill.

The FM states that “longer term savings, including the potential removal of 28 days statutory consultation time from a number of consent cases are anticipated” to result from the Bill.

Costs on other bodies, individuals or businesses (paragraph 86 - 90)
The FM does not expect businesses to incur any additional costs as a result of the Bill.
The FM anticipates “time savings for the statutory consents process for listed buildings and scheduled monuments which will provide service improvements for users, including developers.”

The FM states that “the level of grant in aid (or equivalent) funding currently allocated to Historic Scotland and RCAHMS will be re-allocated to Historic Environment Scotland as part of the Budget Bill process, as the new body will deliver all of the functions currently delivered by the two bodies.”

The FM does not expect the Bill to impact on individuals (for example in the form of potential changes to admission charges).

**Charitable Status (paragraphs 91 – 98)**

The FM states that “the new body may apply for charitable status, which could be expected to bring significant financial benefit to the organisation.”

However, the FM explains that, as the decision to seek such status would be for HES to make, and for the Office of the Scottish Charity Regulator (OSCR) and HMRC to consider, these potential benefits “do not flow from the legislation” and have therefore not been included in the FM’s analysis as summarised above.

Nevertheless, as “the potential benefits are significant and relevant to the decision to create a new body”, the FM provides a table summarising the potential benefits of charitable status after paragraph 91.

The FM states that this would amount to “a total benefit to the new body of charitable status of £26.363m. When set against the net cost of the new body this creates an overall surplus to HES of £20.193m.”

However, the Cabinet Secretary for Culture and External Affairs has since written to the Committee’s Convener to confirm that the figure of £26,363,000 resulted from a typographical error and should read £25,097,000.

In the event that charitable status was granted, the FM indicates that recurring savings of up to £2,417,000 per annum could result by 2018/19. This total includes an estimated £1,270,000 per annum in gift aid, around £300,000 per year relating to expected donations and £110,000 per year relating to discounted IT licences.

The FM also states that “this income would also be further enhanced by possible charitable rates relief of £9,085,000 over the ten years from commencement.” However, it notes that “this would not represent a saving to the Scottish Administration as a whole as the Scottish Government would refund the cost of any rates relief to individual local authorities.”

**Purpose**

For information, the Education and Culture Committee expects to take oral evidence in the spring before reporting on the Bill’s general principles before summer recess.

To facilitate the parliamentary timetabling of the Bill, the Finance Committee invites you to respond to the attached questions by **Friday 18 April**. All responses should
be sent electronically (in MS Word - no confirmatory hard copy required) to finance.committee@scottish.parliament.uk. Written responses will be handled in accordance with the Parliament’s policy for handling written evidence received in response to calls for evidence.

Please do not hesitate to contact me should you have any questions regarding this letter.

Yours faithfully,

Alan Hunter
Assistant Clerk
Finance Committee
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Finance Committee Questionnaire

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the Historic Environment (Scotland) Bill’s Financial Memorandum (FM) (page 24 of the Explanatory Notes).

In addition to the questions below, please add any other comments you may have which would assist the Finance Committee’s scrutiny of the FM.

Consultation

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

3. Did you have sufficient time to contribute to the consultation exercise?

Costs

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill’s estimated costs and with the timescales over which they would be expected to arise?

Wider Issues

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?