



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Constitution Committee

Wednesday 18 December 2019

Session 5



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FINANCE AND CONSTITUTION COMMITTEE
29th Meeting 2019, Session 5

CONVENER

*Bruce Crawford (Stirling) (SNP)

DEPUTY CONVENER

*Adam Tomkins (Glasgow) (Con)

COMMITTEE MEMBERS

*Tom Arthur (Renfrewshire South) (SNP)

*Neil Bibby (West Scotland) (Lab)

*Alexander Burnett (Aberdeenshire West) (Con)

*Angela Constance (Almond Valley) (SNP)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Patrick Harvie (Glasgow) (Green)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

*Alex Rowley (Mid Scotland and Fife) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Derek Croll (Scottish Parliament)

Michelle Hegarty (Scottish Parliament)

Liam McArthur MSP (Scottish Parliamentary Corporate Body)

David McGill (Scottish Parliament)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Finance and Constitution Committee

Wednesday 18 December 2019

[The Convener opened the meeting at 11:00]

Scottish Parliamentary Corporate Body Budget 2020-21

The Convener (Bruce Crawford): Good morning, and welcome to the 29th meeting in 2019 of the Finance and Constitution Committee. I issue the usual reminder about mobile phones.

Agenda item 1 is to take evidence from the Scottish Parliamentary Corporate Body on its budget submission for 2020-21. We are joined by Liam McArthur MSP and, from the Scottish Parliament, David McGill, clerk and chief executive, David Croll, group head of finance and security, and Michelle Hegarty, assistant chief executive. I welcome our witnesses to the meeting and take the opportunity to congratulate David McGill on his recent appointment as clerk and chief executive.

I invite Liam McArthur to make any opening remarks, if he wishes.

Liam McArthur MSP (Scottish Parliamentary Corporate Body): Thank you, convener. As well as welcoming David McGill to his new role, I put on record my thanks and those of the wider Parliament to Derek Croll for the services that he has provided. This is his 17th consecutive budget scrutiny process and his final hurrah. I thank Derek for all his help. I ask that the committee treats us all kindly.

The Convener: I am not promising that, but there you go.

Liam McArthur: The committee will be aware that the SPCB has adopted a sustainable medium-term financial plan until the end of the current parliamentary session. The SPCB faces many uncertainties and challenges in its operations at this time. However, with extensive planning and prioritisation, I can confirm that this year's budget submission for 2020-21 has been set at the level of the indicative forecast, except as noted in the Presiding Officer's letter on the budget to the committee.

The medium-term financial plan is a prudent approach to what we can reasonably anticipate and we retain flexibility to reprioritise resources to meet emerging demands. As such, the SPCB total budget submission for net revenue and capital

expenditure is £94.6 million for 2020-21, which is a 2.9 per cent increase as adjusted over the current financial year. The overall net increase is attributable to inflation and office-holders' funding.

As the committee will appreciate, the legislative and scrutiny demands in relation to Brexit continue to be uncertain. In addition, the SPCB is continuing to support significant levels of business as we move into the final 18 months of the current session.

Throughout the year, the SPCB has regular Brexit discussions on planning and resource impacts with the chief executive, who leads the constitutional issues board, which is charged with ensuring that we have the right levels of expertise and capacity to support members. Based on that planning, the 2020-21 budget bid reflects the SPCB's decision to extend the additional temporary Brexit posts that we have in place until the end of the current session.

We are approaching the end of the one-year pay deal for parliamentary staff and negotiations will commence in the new year to determine a new pay settlement, once the SPCB has considered a negotiating remit. MSP pay rises are linked to public sector pay rises in Scotland using the annual survey of hours and earnings—ASHE—that is published by the Office for National Statistics. I can confirm formally that, using that index, an increase of 1.4 per cent will be applied in April 2020.

As previously advised to the committee, we have started replacing significant and important parts of our broadcasting, facilities and information technology infrastructure that are obsolete or out of maintenance contract. For example, the bid reflects a multiyear programme of lift refurbishment across the campus and a major project to replace the sound and voting systems in the chamber. Choices on project spend are subject to significant prioritisation and challenge, to ensure that we are considering risk, value for money and sustainability.

The Scottish Parliament continues to improve the opportunities for engaging with citizens and visitors. Key to that is an open, accessible and welcoming Parliament building. The corporate body is also responsible for the safety and wellbeing of all who work and visit here and our budget bid reflects that. Budget provision is made in the coming year and the next year for improvements to our perimeter security and the service yard entrance area.

Finally, in the early part of 2019, the SPCB successfully concluded a project to co-locate three office-holders in Edinburgh. That will realise £500,000-worth of savings over the next decade, nearly half of which have already been achieved

due to rental savings. It is our ambition to identify and realise further efficiencies. However, office-holders continue to be an area of resource pressure for the SPCB as further responsibilities are added to their remits and new commissioners are created. The SPCB will continue to work with the office-holders to ensure that well-evidenced and cost-effective budgets are in place where Parliament has determined that new responsibilities are required.

That concludes my remarks on the 2020-21 budget submission. I and the team are more than happy to answer any questions that you and colleagues may have.

The Convener: I thank Liam McArthur for his opening statement. Members have a series of questions, but I will begin with the issue of office-holders' budgets. Last year, we asked the corporate body to provide an update on its budget and any potential efficiencies and savings that would be realised through the shared services agenda. I note that your submission says that

"some progress on the shared services agenda"

has been made. Can you provide us with details on that progress and where it has been made?

Liam McArthur: I put on record the SPCB's thanks for the Finance and Constitution Committee's work over the years in shining a light on that issue. I recognise that office-holders' budgets have been a concern and that, with the extension of remits and creation of additional office-holders, that concern has perhaps only intensified.

The key element of the corporate body's work has been the co-location of the Scottish Public Services Ombudsman, the Children and Young People's Commissioner Scotland and the Scottish Human Rights Commission at Bridgeside house in central Edinburgh. As I have said, that is expected to realise savings of around £500,000 over 10 years. The bulk of those savings will be realised early on, principally through the agreement that there will be no rent over the first year and half rent over the second year of the lease. That agreement has already realised around £230,000-worth of savings, with another £30,000 expected over the next year and probably diminishing amounts subsequently.

The co-location also offers opportunities to look at where work can be done across the office-holders, such as in human resources functions or finance provision. We are always challenging the office-holders to identify where such savings can be made.

It is worth bearing in mind that, even in the year ahead, the office-holders have realised individual savings: the SPSO has made savings of around

£80,000 to £85,000, while the Ethical Standards Commission and the Children and Young People's Commissioner Scotland have each saved around half that. All told, the savings are around £195,000.

Even in the context of extended remits there have been savings. The remit of the Scottish Information Commissioner, for example, now includes registered social landlords. That additional responsibility was funded by the Scottish Government in the first year, but with the understanding that the SPCB would pick it up from the second year. A similar funding process is in place for the SPSO's additional NHS whistleblowing responsibilities, so there will be an impact next year, after the Government funding for the first year ends.

There are pressures on the budget going forward, but we are doing what we can to challenge funding bids, to make sure that business cases robustly stack up. Indeed, the Scottish Human Rights Commission recently put in a bid to the SPCB for a significant increase in resources. The bid coincided with the establishment of the First Minister's advisory group on human rights leadership. The expectation is that, over time, the Scottish Human Rights Commission may need to expand its capacity in order to meet the demands of the advisory group, but the corporate body took the view that, at this stage, it would be premature to sanction an increase of the magnitude requested. Instead, we have agreed to put additional resource into the contingency fund to allow up to a couple of additional staff members to be taken on to deal with the increased workload as a result of the advisory group's work. It would be premature to sanction anything beyond that at this stage.

The Convener: I thank Liam McArthur for that very useful exposition of what has been going on. In relation to the shared services agenda and co-location, costs can be driven down. You have told us that, over quite a lengthy period—10 years—we can get back £0.5 million of savings. Many organisations across the wider public realm in Scotland, including local government and Government and its associated departments and agencies, have new burdens or are being asked to do additional activity, but they are still required to meet targeted efficiency savings. Forgive me, but for the life of me I cannot recall whether, since the advent of this parliamentary session in 2016, we have expected there to be any general efficiency savings in office-holders' budgets across the piece.

Liam McArthur: Back in 2009, there was a general review of office-holders. Through Scottish Government policy or the decisions of the Parliament, we have agreed to expand the office-

holders' remits and the expectations that are placed on them. The convener has drawn a parallel with local authorities, but we are talking about organisations that are relatively small by comparison so, given their capacity, it would be a lot more challenging for them simply to absorb additional responsibilities and defray costs within their existing budgets.

For example, over recent years, the Scottish Public Services Ombudsman has taken on a number of additional responsibilities relating to prisons, prisoner health and water; it is also taking on the responsibility for whistleblowing in the national health service. That is a significant expansion of its responsibilities. The agreement that has been reached with the Scottish Government is that it will fund that up front, after which the costs will be absorbed in the SPCB budget. I do not think that there was any expectation that the SPSO would stop doing the other things that it has been doing, or that much could be done simply to absorb the additional responsibilities within the existing capacity or available resources.

In most instances, we are talking about demand-led organisations. We have challenged them to do more to promote good practice in a way that reduces the number of referrals to them that they need to deal with. However, as they become more effective at highlighting the work that they do, it might be reasonable to expect the demands on their resources only to increase with greater public awareness.

The Convener: Demands are being pressed on lots of public authorities, and increased activity is being expected of them, sometimes within flat cash budgets. I guess that the short answer to my question is that no general efficiency target has been set for office-holders.

Liam McArthur: I am not aware of our having set a specific efficiency target overall. We have required office-holders to produce budgets year on year that reflect the responsibilities that they carry. Those responsibilities have been set by the Parliament. We have asked individual subject committees—not just in this parliamentary session but in the previous session—to look at the remit of office-holders that fall within their responsibilities. As I have said, the Finance and Constitution Committee has been very helpful in shining a light on such matters pretty much every year over the past number of years. However, beyond the challenge function that we perform in assessing their budget bids in order to carry out their responsibilities—again, that is against the backdrop of expanding responsibilities—it is difficult to see how much more progress we are likely to make, unless a decision is made to look at the functions of office-holders.

11:15

The Convener: Yes, but as I have already said, many organisations have been expected to take on additional activity while working through flat-cash budgets. As far as I am aware, most public services still have a general efficiency target and some can reinvest efficiencies back into their processes. Is that not something that the Scottish Parliamentary Corporate Body should be looking at, to ensure that as much efficiency as is achievable can be driven into those organisations?

Liam McArthur: We have been looking to do that. In a sense, co-location allows some of that to happen. It is perhaps an example of sliding doors, because had that co-location not taken place, the accommodation and resources for the three office-holders who have been co-located would have cost considerably more and we would be butting up against even more significant financial pressures.

We are constantly looking at ways in which we can drive forward efficiencies. David McGill might want to add something to that.

David McGill (Scottish Parliament): As Liam McArthur said, there is a strong challenge function. Even before budgets get as far as the SPCB, a unit in the Scottish parliamentary service works with office-holders on the design of their draft budgets.

Liam McArthur mentioned the additional responsibilities that the SPSO in particular has absorbed over the years, but we have got to the point where the organisation will need extra resources for whistleblowing responsibilities. The SPSO has been more able to absorb the additional pressures. It is probably no coincidence that, of all the office-holders, the SPSO has the largest number of staff. However, some of the other office-holders have very small numbers of staff, so additional responsibilities have a disproportionate impact on them and there is a limit to how much we can look for efficiencies, given those extra duties.

Alex Rowley (Mid Scotland and Fife) (Lab): The SPCB wants a £2.7 million increase in its budget. Have you looked across the entire budget in order to identify where efficiencies could be made? I am sure that, at this time, any local council department that got a 2.9 per cent increase in its budget would be delighted, but most of them have been set a target of savings or cuts. Everyone else has to tighten their belts and find savings, but you are coming here and saying that you need a £2.7 million lift. Under what scenario could you come in here and say, "Right, we've got this flat settlement, so we're sticking to our original

budget"? What would the impact of that be? Have you done any work on that?

Liam McArthur: Thinking back to the time when I sat before the Finance Committee in the previous parliamentary session in this role, I remember well the argument throughout that period. The corporate body had taken a view across the five years to front-end the savings, take the staff cuts early and make the efficiencies early in order that things were smooth for the rest of the session. There were a lot of circumstances in place at that time that meant that some of the pressures were managed differently. However, there is now a change in pay policy—I think that we all recognise that increases to staff salaries was long overdue—and have had to accommodate that.

A large part of our budget has been driven by increasing office-holders' budgets and issues relating to civil service pensions. However, there is no getting away from the fact that business demands in the Parliament have increased this session. We have had the largest number of members' bills, parliamentary questions and motions, and committee and chamber business. Added to that, obviously, are the additional pressures on business from the Brexit process.

We have sought to make efficiency savings where we can, but it is the responsibility of the corporate body to make sure that the business of Parliament is run as efficiently, effectively and smoothly as possible. That inevitably means taking on additional resources in order to support MSPs and staff in the way in which they expect. As an institution that is always seeking ways to make itself more accessible and more open, the challenge is doing that in a physical sense and continuing to grow in an online sense. The pressure is on us to ensure that the physical and IT infrastructure is in place to meet the challenges that we face.

We have sought to make efficiencies where we can, to enable us to fund the additional expense that is coming with a lot of those challenges.

David McGill: I will give you a bit of insight into how we put the budget together. Over the course of the summer, in the run-up to a budget submission, we require the individual parts of the organisation to submit their budget proposals for the coming year to the finance office. Derek Croll and his colleagues go through those budget bids quite carefully and highlight where there are increases on the previous year's budget and the outturn figures. There is therefore a challenge function at that point.

That is collated and put to our internal resources board, which is chaired by Michelle Hegarty, and there is a further challenge process there. I can reassure the committee that that process is robust.

Across the piece, demand outstripped supply this year. We were determined to live by the commitment that we made to the committee last year to live within the indicative forecast, but it was quite challenging to get all the budget bids down to that level. There are lots of examples across the piece of where we have looked at budget submissions, not agreed to them, and pushed back and down on the demands on next year's budget.

Alex Rowley: There is demand on front-line services right across Scotland right now. Those local government departments will be given a cuts target. Most local authorities and service departments will be working on the basis of cutting their budget. You are working on the basis of increasing your budget. If you had a standstill budget, what would that mean? Have you looked at that, especially given that public sector funding is not easing up any, and cuts are being made everywhere? It would be difficult to justify increasing the budget to run the Parliament at the same time as we are seeing front-line services being cut.

David McGill: There is an increase in cash terms, but in real terms the increase is pretty much in line with inflationary measures throughout the year. It can be characterised as a standstill budget.

Our red line was the commitment that we gave to the committee last year on the indicative budget for this year. That is what we have been able to deliver, but it has not come without a bit of pain and challenges.

The Convener: Alexander Burnett is also interested in efficiencies and savings, as is John Mason.

Alexander Burnett (Aberdeenshire West) (Con): I am sorry, but I am just repeating the point about savings and efficiencies. I am not sure whether you are totally correct in saying that everything is in line with inflation. Every line is over inflation and some are considerably so. That is a concern. The budget is constantly creeping up beyond inflation.

You were asked to provide updates on efficiencies and savings, but when I looked through the document, the only saving that I could see was in schedule 3, which shows 0.7 of a staff member as the only saving this year. There are 7.3 additional jobs, offset by a loss of eight.

I do not think that the SPCB is doing itself many favours in not presenting more efficiencies. You say that more are being discussed. Is there anything that you want to add here? The document does not demonstrate that there are other efficiencies that you might be able to make and it might be helpful, in future, to show that. As it

reads, the document is a negative document showing inflation-plus increases.

Liam McArthur: I appreciate that there may be issues around the presentation of the information and it is absolutely right that there is an expectation on the SPCB to drive down costs where it possibly can. I return to the point that I made before about the responsibility on the corporate body to ensure the smooth functioning of the Parliament in all its aspects. That includes the running of committees, which, as I am sure that this committee will not need to be reminded, have been running far faster than usual to keep up with the workload. I see that in the Justice Committee and I think it is pretty much the case across the board. We see it in sitting times for chamber business, and we try to make ourselves as open and accessible as possible, through events and cross-party groups.

The work of the Parliament in this session is almost unparalleled in terms of the pressure placed upon staff and the different types of expertise that we need to have available. Brexit is the obvious example, and has placed an onus on the corporate body to respond. Previously, it was felt that the budgetary expertise in the Parliament needed to be augmented to allow MSPs and committees to perform their scrutiny function. In this session, that same feeling has undoubtedly arisen regarding the realm of expertise around the challenges thrown up by Brexit and it is incumbent on the corporate body to make sure that, in providing a challenge function to every budget—as David McGill has set out, that is an iterative process beginning at official level and working its way up to the corporate body itself—we ensure that the functioning of this Parliament remains as efficient and effective as it can possibly be.

That includes the fabric of the building. It is a challenging building to maintain and the expectation is—and not just for the health and safety of building visitors and business users—that, given the nature of the building, we would not be forgiven for simply parking maintenance for a few years just to keep the budget down.

The cybersecurity and IT challenges are only intensifying. We are making savings there: the move to the use of cloud technology rather than the servers that we have used in the past has allowed us to release efficiencies, but those savings are quickly eaten up by the additional security pressures. In the last two summers, we have had fairly significant cyberattacks that we have been able to repel, but that on-going challenge has a cost.

We will continue to provide robust scrutiny of all those budgets, but we need to be realistic about the extent to which we will be able to drive down costs.

Gordon MacDonald: I am surprised that the SPCB has not emphasised the impact on the budget of some of the additional powers that have come to the Scottish Parliament, such as the new income tax powers and the £3.5 billion of social security spending. Maybe you want to talk us through some of that. That will show us a full picture of where some of the demand lies.

Liam McArthur: I probably belaboured the point about Brexit. However, you are right to say that the additional powers have put strains on the capacity in the building. To go back to the point about office-holders, for example, the ombudsman now has oversight of complaints made about the Scottish welfare fund. While most of us—all of us—welcome those additional powers, we need to be realistic about the pressures that they place on the institution to resource them properly. We have tried to act proportionately. If we need additional expertise for only a short time, people are brought in on fixed-term contracts; but where expertise is required longer term, I think that the expectation of MSPs, their staff and the wider public is that that is resourced appropriately.

11:30

The Convener: John Mason is next on this subject, then it is Patrick Harvie.

John Mason (Glasgow Shettleston) (SNP): I will build on some of the questions that the convener asked. Looking again at the position of the six office-holders—the ombudsman and the commissioners—I am still puzzled. The four smaller office-holders are apparently cutting their budgets or they have pretty well stood still. For example, the Commissioner for Ethical Standards in Public Life in Scotland is quite small, and its budget is going down from £985,000 to £937,000. I assume that its workload has not fallen a lot, but that is a 5 per cent-plus saving, which sounds quite good.

The argument was that because the organisations are so small, we cannot expect them to make savings or to absorb extra work. I would have thought that all six organisations would be facing extra work, but some of them are making savings, while the two big ones—the ombudsman and the Information Commissioner—are not making savings. That does not seem to make sense.

Liam McArthur: With regard to the ombudsman and the Information Commissioner, those two office-holders, but particularly the ombudsman, have had the most significant increase in their responsibilities. The Information Commissioner has responsibilities relating to social landlords and the ombudsman has outlined the range of additional responsibilities that it has taken on. As

David McGill said, the staff head count in the ombudsman is larger by an order of magnitude than that for the Information Commissioner, which is the next largest organisation, so the ombudsman has been able to absorb some of the extra responsibility. That is why, despite the savings that the ombudsman has been able to make, its budget has gone up.

With the smaller office-holders, the corporate body has taken an approach whereby we set aside contingency funds that the smaller office-holders can bid for as and when necessary, which means that we do not lock into their budgets resources that they might not need and which we would constantly challenge them to justify. We felt that the contingency format was a better way of providing some additional headroom as and when needed, which I suppose would depend on the workload year to year.

John Mason: Is it fair to say that because they are smaller, they are easier to control?

Liam McArthur: I would not characterise it as that. There might be fluctuations from one year to the next and, given the scale of their budgets, it would not take an awful lot of change in their workloads to make a significant difference. As I said, though, the challenge to all the office-holders is to justify their budget on the basis of their remit. The smaller ones have the same challenge as the larger ones in that regard.

John Mason: Okay. I am a bit surprised that, over a decade, shared costs are saving only £500,000, half of which you said has been saved already through the property. I would have thought that there might have been staff savings. Saving £250,000 over 10 years is £25,000 a year. Have they got a shared receptionist, for example?

Michelle Hegarty (Scottish Parliament): Yes, they do.

Liam McArthur: Indeed. The hope is that, having co-located the office-holders, we will have an opportunity to identify further savings in terms of staffing, as you rightly mentioned. HR and finance would be the obvious areas to explore. We are already looking at ways, whether through internal audit or procurement, through which we can help to bring down costs for the office-holders. Even with the ombudsman's expanded remit, for example, the additional capacity that will be required can be accommodated within that resource, as opposed to having satellite offices, which was often how that capacity was accommodated in the past.

We have been as accurate as we can be with the estimate of half a million in cost savings. However, I hope that, over the coming years, through that constant challenge function, we can

identify other savings, so that figure could and should go up.

John Mason: I have a separate point. Shall I bring it up later?

The Convener: That would be fair to others, because Patrick Harvie has a question on the current subject.

Patrick Harvie (Glasgow) (Green): Not quite—it is a more general point, and some of it has been covered since I raised my hand.

I was getting a bit uncomfortable with the direction of some of the discussion—as though the question of efficiency is just a matter of whether individual budget lines have gone up or down. That is not the same as efficiency. All political parties have approved substantial increases in the powers and responsibilities of the Parliament. All the political parties have been consulted on MSP staff budgets and agreed to them going up. MSPs across the chamber regularly ask for better IT facilities, and committees ask to take on new bits of work. Given that a lot of the work of the Parliament is demand-led, because of the political context that we work in, is there a danger in overusing or misusing the word “efficiency” when we look at how the budget develops over time?

Liam McArthur: I do not disagree with any of that. We have a challenge function, particularly because of the way in which we top-slice the budget, and there is a risk that if we are not robust in that challenge function, costs could accelerate, given all the challenges that we face.

We are also very conscious that, although this institution's track record on its environmental responsibilities has been good up until now, we will need to step up in that endeavour. Some of that will have capital costs attached to it; some of it will involve significant changes in the way that those who use this building behave and function. We have probably done the easy stuff that we can do. Is that step up the right thing to do? Absolutely. Can we pretend that it can be done on the cheap? No. Therefore, we need to be as up front and transparent as we can be about where we can make savings.

IT, although it involves a cost, allows us to do things differently: more effectively and efficiently, and at a lower cost that frees up budget to do things elsewhere. One example would be the skills development and learning that we offer staff. A lot of that is now offered online, so its accessibility has gone up. The quality has been maintained and, in some circumstances, enhanced. As a result, the budget spend has gone down.

There will be areas in which we can continue to make savings. We need to pursue those, so that we can fund the things that will inevitably cost us

more, because the expectations on MSPs and the way in which we engage with the public will change over time.

The Convener: I will move on to slightly different areas—I have a note of the members who want to come back in.

Gordon MacDonald (Edinburgh Pentlands) (SNP): In his opening statement, Liam McArthur said that the corporate body had built in an increase of 1.4 per cent. However, the staff pay line of £30.6 million shows an increase of 3.1 per cent. I understand that there will be other elements in there, whether those are changes to pension costs or incremental changes that are part of their pay scales. Can you say more about why the increase is 3.1 per cent and not closer to the 1.4 per cent that you highlighted?

Liam McArthur: Is that the pay line for MSP staff?

Gordon MacDonald: No—I am asking about Scottish Parliament staff pay.

Liam McArthur: We are in a negotiation process with Scottish Parliament staff, although we have not yet agreed the remit for next year. There is a whole series of fixed costs for staffing that go beyond any salary increase. Perhaps David McGill or Derek Croll would like to respond.

Derek Croll (Scottish Parliament): The 1.4 per cent for the ASHE index applies only to MSP pay. Several years ago, it was agreed that MSP pay would be linked directly to public sector pay in Scotland. That applies only to members' pay.

Gordon MacDonald: You have a negotiation coming up so you are not going to divulge what has been built into that budget, but are there any other factors that are forcing it to increase by £920,000?

Liam McArthur: That will include MSP offices.

Gordon MacDonald: No—I am just talking about staff pay.

Derek Croll: The SPCB staff pay budget assumes an increase in line with public sector pay more generally, although we have not yet entered into those negotiations.

Gordon MacDonald: Are there any other factors involved, such as an increase in head count?

Derek Croll: Head count is virtually static.

Liam McArthur: We have had an increase, but for this budget, the head count is pretty much at a standstill.

Gordon MacDonald: Okay.

The line for MSP staff and office costs is going up by 2.4 per cent. Has anything been built into that for the cost-of-living increase?

Liam McArthur: That is why the increase is 2.4 per cent, as opposed to the 1.4 per cent for MSP pay. The high amount for office costs reflects the cost of living, as well as the additional costs of renting and so on.

Derek Croll: Again, at this stage, it is an estimate. The SPCB takes a decision on indexation of members' expenses provisions, before the next financial year, in February or March. It will make reference to current published indices at that time.

Gordon MacDonald: Every year, members have to reach agreement with our own staff about pay increases. We have very little influence over our total staff allowance and there is no mechanism for our staff to negotiate as a group. Have you explored whether there is any mechanism that could be introduced to that effect? I am suggesting that, given that there is a discussion involving trade unions and SPCB staff on reaching a two or three-year agreement, there could be some way of reflecting that in the MSP staff allowance, given that MSP staff have no way to negotiate as a group.

Liam McArthur: As you will remember from your time on the SPCB, the SPCB has to strike a delicate balance between recognising individual MSPs as employers and giving them the flexibility to structure their offices and working arrangements in ways that best suit their needs. That is why we have been reluctant to put in place systems that cut across that, although, where we can, we have facilitated the efforts that members have wanted to make, individually or collectively.

Gordon MacDonald: To be fair, the SPCB has already done that because it introduced pay scales that all MSP staff must appear on. That means that, to a great extent, the flexibility that MSPs had has disappeared. Given that we are using pay scales that are set by the SPCB, the situation is that we pay our staff the maximum that we can, but the staff have no negotiation mechanism, because we have no control over the budget, which is just granted by the SPCB.

Liam McArthur: You will recall that the introduction of the pay scales was intended to reflect a recognition of the fact that the overall budget available to MSPs was out of synch with comparators elsewhere. However, in order to justify the increase, we needed to point to where the demand was and provide a guarantee that that was being followed through with salary levels for staff being increased, rather than just being spread across a larger number of poorly paid staff. We also needed to protect MSPs from complaints

that they had failed to meet minimum wage or living wage standards.

As I say, the pay scales were brought in to provide a degree of consistency not just within groups but across groups of staff in Parliament. We know that staff chat to one another about their job titles, responsibilities and pay, so we tried to build in a degree of consistency across the piece.

11:45

The Convener: That has been a useful conversation, but it cuts across the main purpose of today's meeting, which is to scrutinise the budget. That issue is much more about industrial relations. It is a legitimate question to ask, but—forgive me—we have probably gone as far as we can on that.

Murdo Fraser (Mid Scotland and Fife) (Con): I will follow up Gordon MacDonald's questions on salaries, which I thought were very relevant. It is clear from the paper that MSPs' salaries will increase by 1.4 per cent, and there is a scale that links MSPs' salaries to public sector pay rises in Scotland. Liam McArthur said that we are still in negotiations with staff. Are you saying that the Parliament's staff might end up getting a higher or lower pay increase compared with that paid to MSPs?

Liam McArthur: When we unlinked our pay from a proportion of MPs' pay, we made the decision that we did not want to find ourselves in the same position as MPs had found themselves in when they voted on their own pay. Linking MSPs' salaries to an index seemed to be the best way of avoiding that. It was then a question of which indexes to use—as you will be well aware, there are a number. It is fair to say that the indexes benefit people more in some years than they do in others. The system has provided a degree of insulation from accusations of MSPs voting on their own pay.

The negotiations with parliamentary staff fall into a different category. In a sense, comparisons with what is happening across the public sector will be relevant, but there will be other calculations to be made about what represents a fair deal and about what trade unions will be looking to secure on behalf of their members. Traditionally, we have enjoyed pretty good industrial relations in the Parliament, which is to be welcomed and is what would be expected of such an institution. We will agree a negotiating remit for the negotiations at the start of next year. I do not think that we have ever suggested that pay needs to be linked to ASHE or any other index, because having flexibility in such negotiations can bring other benefits.

Murdo Fraser: Project costs are due to increase by £240,000, or by 5.2 per cent, compared with last year's budget. I have seen the breakdown and note that some of the costs relate to additional security measures. Without breaching security, are you able to give us a flavour of how some of that money might be spent?

Liam McArthur: That would take us into a private discussion. However, some of the costs are unavoidable project costs from elsewhere. We have sought to sweat the assets where we can, but I do not think that anybody would thank us for avoiding or putting off paying for sound and broadcasting equipment and for the lift overhaul that is due.

We get regular updates on security provisions from the Parliament's security personnel, in conjunction with Police Scotland and others. That includes updates on potential threats and on improvements to the security of the building that they feel would be reasonable and proportionate. Even in those cases, we have sought to challenge. We have had recommendations, much like individual MSPs get recommendations relating to their constituency and regional offices. MSPs are free to choose to carry out improvements that they think are necessary and to discount suggestions that they think would be disproportionate. We have sought to focus on the security perimeter of the Parliament to enable the Parliament as a whole—once people get into the building—to operate as accessibly and in as open a fashion as MSPs would wish.

We have taken advice in relation to aspects of the service yard, which it was felt needed to be addressed. We are taking a phased approach, as we did with the public entrance and the screening that was introduced a few years back, to ensure that what we are doing is proportionate and can be justified. We are seeking to spread the cost in respect of the service yard over two or three financial years.

Murdo Fraser: Does the SPCB carry out value-for-money assessments of security measures that have already been implemented? I give the example of the fingerprint entry system, which I know that a number of members have raised complaints about. I always do what I am told, so I signed up early, in comparison with other members, for that system. However, every morning it will not let me in and a member of security staff has to come out and let me in. I do not know how much it cost and on whose advice it was implemented, but quite clearly there are issues with the system, which I dare say involved a fairly substantial expenditure of public funds. Are those issues being looked at?

Liam McArthur: They are looked at and it is absolutely fair to say that, immediately after its

introduction, there were problems with the functioning of the new system. Some of that was to do with the equipment itself and some of it was to do with building users having difficulty dealing with the new arrangements. As an early adopter myself, in recent months, I have found that it has worked fine. We have also altered the arrangements at Queensberry house, so that both turnstiles operate in both directions. One problem was that one of the turnstiles was not being used at all.

The security advice on people being able to tailgate others into the building was something that we needed to deal with. I think that we have taken a proportionate approach to the issue: the biometric detail is not held anywhere other than on the card, and the system is functioning much better than it was. If there continue to be problems, I suggest that you speak to me after the meeting and I will see what I can do to deal with them.

The Convener: We should give him new fingerprints.

Neil Bibby (West Scotland) (Lab): You mentioned that the central contingency fund is going up by £100,000 for the Scottish Human Rights Commission to participate in the Scottish Government's national task force on human rights leadership. Given that it is the Scottish Government's national task force, why is the Scottish Government not paying for that directly?

Liam McArthur: That was the compromise that was reached after quite a bit of back and forth between the SPCB and the Scottish Human Rights Commission about additional resources. As you say, in other instances, such as with the information commissioner and social landlords and the NHS whistleblowing responsibility of the ombudsman, the first year's funding has been picked up by the Scottish Government and then responsibility is transferred to the SPCB. Almost irrespective of whether the cost sits with the Government over the first year, it will fall to the SPCB to pick up after that.

It was felt that, with the staffing complement that it had, the Scottish Human Rights Commission would not be able to engage in the process in the way that it will need to. Therefore, we left funds in a contingency for the commission to bid for, because it is still not clear what the commission's workload pressure will be. Rather than try to respond to a legitimate in-year bid, we thought that we would leave the funds in contingency and allow the commission to make the bid in due course.

Michelle Hegarty: The Scottish Human Rights Commission put in a substantial business case to the corporate body. That was challenged, and the amount that is reflected in the contingency is substantially lower than the amount in the SHRC's

original business case. The commission's expertise and its contribution to shaping the new national framework was a significant aspect of that business case, but it also pointed to the wider demand for its capacity-building expertise as a result of the increasing influence of and focus on human rights over the past decade. That is also borne out by the report that the Parliament's Equalities and Human Rights Committee published last year, in which it recognised that it wants human rights to be a more central aspect of the Parliament's work and for it to be a front-runner in the area. The committee pointed to the Scottish Human Rights Commission as a body that it expected to take on significant responsibility in that regard.

The SHRC pointed to a range of reasons why it felt that it needed a step change in its resource, although the task force was one of the central reasons. As Liam McArthur pointed out, it was not about additional powers or responsibilities, as was the case with the other office-holders; it was about an increase in workload. The corporate body has judged that that has not yet been fully borne out or fleshed out, and that it was therefore suitable to set it against contingency, with a view that the SHRC can strengthen some of its existing staff resource. The corporate body will review that ahead of the budget bid next year, and the intention is that that temporary resource will not go forward into the next session unless there is a step change in legislation that is passed by the Parliament that has an impact on the commission's rights and responsibilities.

The Convener: A couple of members have outstanding questions. John Mason can go first.

John Mason: My question is about the shop, which is a relatively small but still significant area. I understand that sales are falling, but I do not know whether that is entirely linked to the Parliament not having had a big exhibition. I guess that the cost of an exhibition could outweigh the sales in the shop, but maybe you can clarify that. Also, I am not sure what the "projected corporate card rebate" of £12,000 is.

Liam McArthur: I will ask Derek Croll or David McGill to pick up on the question about the corporate card.

On the shop sales, footfall is driven by a number of things, but large exhibitions such as the tapestry, Andy Warhol and photography exhibitions are a key driver. It is also fair to say that, 20 years in, it is perhaps more difficult to achieve continuing increases in general visitor numbers. If visitor numbers are stabilising or perhaps decreasing, it is more challenging for the shop to maintain sales and profitability.

The hope is that, with the variety of things that are available, the shop can remain profitable. In recent times, we have seen the shop making a contribution to the Parliament's revenue rather than requiring subsidy, which is to be welcomed.

Derek Croll: We use the corporate card for a lot of purchases in the Parliament. It is a credit card that staff hold and can make purchases on. We are using it increasingly as it is an efficient, cost-effective and much simpler means of making purchases. As part of that, we get a rebate at the end of the year on the number of transactions that we have put through. The figure recognises that we get a small amount of money back.

Alex Rowley: I want to pick up on demand-led budgets. Across the public sector, as poverty and inequality rise and the demographics change, demand is increasing, but very few departments would say that they operate to a demand-led budget. You talked about rising expectations from MSPs and so on, but do you ever say no?

12:00

The reality is that you cannot just continue with that idea of a demand-led budget. For example, the budget submission states:

"Running costs of £7.6m mainly consist of the SPCB's outsourced contracts for the provision of goods and services and are projected to increase".

If we look at the budgets of local authorities across the country, we see that they have been able to make massive cuts—of millions or tens of millions of pounds—in the procurement of services. Have you looked at that or are you just working on the basis of a demand-led budget? If you are working on that basis, I think that there is a serious problem.

Liam McArthur: We have absolutely worked with the Scottish Government to realise savings through procurement. On the point about the demand-led nature of our work, it is difficult for the corporate body to say no—not across the board, but in many areas. However, it needs to be satisfied that a demand is reasonable and to look for ways of resourcing it efficiently and effectively. In the same way, at a micro level, the demand on and workload of individual MSPs has moved inexorably upwards, and we expect that to be properly resourced, whether in terms of staff pay, which we have discussed, or office costs, where we might use funds in a slightly different way from how we have used them historically. We are responding to demand, and the Parliament as a whole is trying to do that as well. In addition, the public now engage with us in different ways.

We have been able to do some of that work in ways that have allowed us to reduce costs. In almost all areas, however, the money that has

been saved has then gone to meet costs that have inevitably gone up as a result of that increasing demand and workload. It is not a reflection on our performance as compared with that of local authorities. We all know that local authorities make it clear that, in some areas, they are unable to deliver what they could deliver in the past. With the budget that we have produced, we are trying to enable the Parliament to carry out the functions that the public expect of it.

The Convener: I thank the witnesses for coming along this morning and providing us with detail on the corporate body's budget submission. It has been a robust session and we are grateful to you.

We move into private session to discuss our other item of business.

12:02

Meeting continued in private until 12:15.

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