

# **FINANCE COMMITTEE**

Tuesday 13 November 2007

Session 3

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## FINANCE COMMITTEE

### 8<sup>th</sup> Meeting 2007, Session 3

#### CONVENER

\*Andrew Welsh (Angus) (SNP)

#### DEPUTY CONVENER

\*Elaine Murray (Dumfries) (Lab)

#### COMMITTEE MEMBERS

\*Derek Brownlee (South of Scotland) (Con)

\*Joe FitzPatrick (Dundee West) (SNP)

\*James Kelly (Glasgow Rutherglen) (Lab)

\*Liam McArthur (Orkney) (LD)

\*Tom McCabe (Hamilton South) (Lab)

\*Alex Neil (Central Scotland) (SNP)

#### COMMITTEE SUBSTITUTES

Roseanna Cunningham (Perth) (SNP)

Ross Finnie (West of Scotland) (LD)

Murdo Fraser (Mid Scotland and Fife) (Con)

Peter Peacock (Highlands and Islands) (Lab)

\*attended

#### THE FOLLOWING GAVE EVIDENCE:

Derek Croll (Scottish Parliament Directorate of Resources and Governance)

Paul Grice (Scottish Parliament Clerk and Chief Executive)

Tom McCabe MSP (Scottish Parliamentary Corporate Body)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Mark Brough

#### ASSISTANT CLERK

Allan Campbell

#### LOCATION

Committee Room 6



## Scottish Parliament

### Finance Committee

*Tuesday 13 November 2007*

[THE CONVENER *opened the meeting at 14:00*]

### Budget Process 2008-09

**The Convener (Andrew Welsh):** Good afternoon and welcome to the eighth meeting of the Finance Committee in the third session of the Scottish Parliament. I ask everyone to turn off their mobile phones and pagers.

Item 1 is consideration of the Scottish Parliamentary Corporate Body's budget bid for 2008-09. As members know, our main focus during the annual budget process is scrutiny of the Scottish Government's draft budget. However, the SPCB's budget is top-sliced from the Scottish consolidated fund, so we scrutinise and take account of that budget in our report.

I welcome our Finance Committee colleague Tom McCabe, who is here in his role as portfolio member of the SPCB; Paul Grice, who is clerk and chief executive of the Parliament; and Derek Croll, who is head of financial resources. I invite Tom McCabe to make an opening statement.

**Tom McCabe MSP (Scottish Parliamentary Corporate Body):** Good afternoon and thank you for giving me the opportunity to present the SPCB's budget proposal for 2008-09. I preface my remarks on the specifics of the budget by explaining what has driven the SPCB's approach to setting the budget. The SPCB is very aware that every pound that we spend should be put to the best possible use. We are determined that the Parliament should continuously examine how it spends the money that comes from the Scottish consolidated fund. Wherever possible, we should minimise our call on that fund.

As you know from the information that we supplied, our budget bid for 2008-09 is for £74.9 million, which I am pleased to confirm equates to a 2.8 per cent increase on last year's budget. The rate of increase is significantly below the most recent retail prices index, which stood at 3.9 per cent in September.

In our submission to the committee, we highlighted comparisons with the current year's budget. To ensure that we compare like with like, I point out to members that the 2007-08 figures and the 2008-09 indicative figures have been updated to allow for the £1 million transfer to the SPCB in respect of funding for the Scottish commission for human rights.

When the Finance Committee took evidence on the SPCB's budget last year, it discussed the different spending patterns that are experienced in an election year and at the start of a new parliamentary session. Expenditure that is specific to such years includes spending on elections and resettlement and winding-up costs, whereas committee expenditure and travel costs are usually lower in the first year of a new session.

A significant feature of the proposed revenue budget is the £1.7 million that has been set aside for the recommended perimeter security improvements to the Parliament complex. When non-recurring costs such as the elections contingency and the perimeter security money are excluded, the increase on last year's budget falls to 2.1 per cent.

On savings, we are determined to pursue opportunities to contain expenditure whenever we can. In that regard, the SPCB has agreed to a number of changes. First, we have agreed to increase the charge for parliamentary tours, so that the subsidy can be maintained at its current level. We have agreed to retain free access to the crèche for visitors but to increase charges for passholders in line with market rates. We also agreed to close the building during the February recess, to allow far more cost-effective planned maintenance. We are considering a range of other measures, which could save considerable sums. Those measures have not yet been agreed, but we will make more details available as soon as possible.

We have allowed for a £1.8 million contingency to cover unforeseen expenditure. Experience to date suggests that that is a reasonable approach.

Our proposed capital expenditure is £1.8 million, which is £0.2 million higher than last year. Members will know that, by its very nature, capital expenditure can vary from year to year. It is expected that the next information technology refresh will begin in 2008-09. That will clearly have an impact on capital expenditure.

Expenditure on commissioners and ombudsmen has been the subject of much discussion at previous Finance Committee meetings, especially during the previous session of Parliament. Including the aforementioned £1 million for the Scottish commission for human rights, expenditure on the various bodies now stands at £7.7 million. In other words, it stands at more than 10 per cent of the overall SPCB budget. The SPCB is acutely aware of the fine balance that it needs to strike. There must be robust scrutiny, but the bodies must also have the operational independence that they were given when Parliament established them.

Mindful of previous Finance Committee recommendations, we took a robust approach, predicated on the pursuit of increases that are no greater than inflation. That resulted in the need to request reductions—in some cases significant reductions—from office holders. I am pleased to report that we were successful overall, although wage inflation—the effect of previously agreed settlements and pay increments—meant that non-staff costs had to be contained well below inflation. Overall, the budget for ombudsmen and commissioners will increase by 2.6 per cent over last year's figures.

That concludes my introductory remarks. I hope that I have managed to convey a sense of the approach that we are taking to the budget, to highlight some of the more pressing issues within the budget and to stress that we are very conscious of the need to pursue robust and continuing improvement. My colleagues and I will do all that we can to answer any questions.

**The Convener:** I will start the questions. The Scottish Parliamentary Corporate Body has stated that it has exercised considerable pressure to restrict the overall increases in budgetary expenditure, and that that has meant that difficult choices have had to be made. What difficult choices have been made in arriving at the final budget?

**Tom McCabe:** I tried to highlight some of those choices in my statement. For example, we considered the charges for parliamentary tours. Those tours are subsidised at the moment. We thought that it was right to maintain the subsidy at the current level but to take no action that would allow it to increase. People will have different views on that issue, but we are all keen to ensure that people have access to the parliamentary building.

In the same vein, we considered the potential savings to be made from closing the building during the February recess. We want to ensure that as many people as possible have access to the building and we accept that the closure could have an impact, but we had to balance the issue of access against the savings that we knew could be made by taking a different approach to planned maintenance.

In my statement, I also referred to the possibility of making other considerable savings. Final decisions have not yet been taken, so it would not be right to talk about those savings at the moment. However, I assure the committee that the SPCB is pursuing some avenues that could produce very considerable savings indeed.

**Paul Grice (Scottish Parliament Clerk and Chief Executive):** At a more micro level in the budget, there is a lot of pressure on individual

budget heads—for example, training and development. We considered each budget head and put on a lot of pressure. We forced people to justify and explain all the individual budget heads, and we asked ourselves whether expenditures were absolutely necessary. Underlying the big issues for the corporate body has been a series of more detailed discussions. However, we followed the same kind of approach that has, we hope, enabled us to produce a reasonable overall budget.

**Joe FitzPatrick (Dundee West) (SNP):** The submission talks about continuing to examine further options for maximising value. What areas do you expect that to focus on? What timescales do you have in mind for that process?

**Tom McCabe:** The timescales are quite pressing. The SPCB is already discussing a number of areas although, as I said, final decisions have not yet been taken. Let me put it this way: there are areas in the Parliament that currently attract subsidies and we are considering ways of reducing those subsidies.

**Joe FitzPatrick:** Will part of that consideration relate to this budget process and part of it be a longer-term attempt to find out where more savings can be made?

**Tom McCabe:** Yes. Everyone is aware that we are moving into a financial climate that will be different from the one that we experienced over the first eight years of the Parliament. It would be sensible to find ways in which we can minimise our impact on the consolidated fund while we are experiencing those conditions.

**Alex Neil (Central Scotland) (SNP):** I want to concentrate on pay. As we know, the average public sector pay increase this year has been about 2.5 per cent and, over the next three years, the consolidated fund is going to rise by only 1.8 per cent above inflation. Yet, the SPCB projects an overall increase in SPCB staff pay of 5.4 per cent—which is way above what MSPs are getting, I have to say. I have two questions. First, what is the justification for the rise of 5.4 per cent? Secondly, what is the head count now and what will the head count be in the bid year of 2008-09?

**Tom McCabe:** I will deal with the first question and Paul Grice will deal with the second.

The Parliament has a three-year pay agreement. That is locked in. In some years, the staff have felt that they have lost out because the average rise that they got was below the rate of inflation and, in other years, they have clearly gained from the agreement. Perhaps the Parliament can learn a lesson from that when it enters into pay agreements in future.

There is a wider problem that goes beyond the Parliament. Bluntly, certain aspects of public

sector pay have a hidden nature. Clearly, a headline figure can be agreed, but many staff—including parliamentary staff—are on incremental pay scales, through which they move as the years go by. Often, the impact of that can produce a higher level of increase. That applies in a considerable section of the public sector, including the Parliament. When we talk about pay restraint, as the previous Chancellor of the Exchequer did on a number of occasions—as far as I know, his successor is carrying on with the same mantra—we tend to talk in headline figures without considering the underlying pressures that cause overall increases. That is, in part, an explanation for the percentage rise.

**Paul Grice:** In the current year, the full-time equivalent head count is 539. Last year, it was 542 and, next year, it will be 545. It has been pretty stable for the past three or four years.

As Tom McCabe said, the pay agreement was a three-year deal, locked in to the RPI. There are two points that it is important to make on this issue. First, we expect that, in the course of next year, the great majority of staff will be at the top of those scales, which will mean that turnover of staff will exert a downward pressure on the overall pay, as new staff will come in at the bottom of the scales.

Secondly, we are looking to agree the remit for the next pay deal—whether it is a one, two, three or four-year agreement—next summer. No doubt, Tom McCabe will be leading on that for the SPCB and I will be working with him. We will take on board the points that have been made.

I think that last year, the RPI at 1 April was 2.6 per cent, which is what staff got, and the average over the year was 3.7 per cent, which means that, in that year, staff might have felt slightly hard done by. However, I take your point that, this year, the situation looks more favourable for them.

I think that two or three-year pay deals are probably a good idea in that they provide stability, but we will clearly have to consider that with our eyes open. We will take on board Tom McCabe's point about increments. We have a stable workforce, which means that many staff—the vast majority—will be at the top of their scales next year, so they will not get anything beyond the inflationary uplift.

14:15

**Alex Neil:** Two or three questions arise from that. We are looking at the overall increase in the wage bill for the Parliament. Given that everyone else's wage bill is constrained, should we not be taking some of the strain? Should there not be some offsetting savings to help to pay for the increase in wages to which people are entitled

under the three-year deal? Is the bid year next year the last year of the three-year deal? How much of the 5.4 per cent increase are we locked into under the deal? How much discretion is allowed?

**Paul Grice:** The deal runs out in March 2009. Next summer, we will be looking ahead. In a sense, the last full year is coming up.

We have offset savings across the whole budget, which is why we have been able to reduce the whole budget. We have focused—Tom McCabe takes an interest in this—on our recurring costs and on the baseline. We have managed to contain that by making offsetting savings.

Of the 5.4 per cent, 4.5 per cent is the RPI element. Whatever the RPI is next April will determine the figure for the rest of that year. The other 0.9 per cent is caused by incremental increases, which is the point that Tom McCabe made.

**James Kelly (Glasgow Rutherglen) (Lab):** On staff-related costs, schedule 3 of your paper says that there is an expected reduction in contractor costs of £82,000. What is the expected total for contractor costs?

**Paul Grice:** We should be able to tell you exactly what that is. Derek Croll might have the figure to hand.

**Derek Croll (Scottish Parliament Directorate of Resources and Governance):** We are forecasting the total to go down from £458,000 to £376,000.

**James Kelly:** Is that part of an overall action that you are taking to try to reduce the number of contractors that you have working in the Parliament?

**Paul Grice:** Yes. I have always been keen to avoid any notion of masking overall staff pay by masking staff as consultants and contractors. It is a policy to reduce the number of contractors. We use contractors where they have expertise that we do not have. For example, if we were managing a series of works, we would need an industry professional, so we would bring somebody in for a period of time. We are doing a lot of work on business continuity to try to make the Parliament more resilient to all sorts of things that might disrupt business. It is worth bringing in someone with expertise on that. However, over the years, we have gradually reduced the number of contractors in the Parliament and it is my intention to apply downward pressure, so that contractor pay remains a very small proportion of our overall budget. You will see a similar trend for both consultants and contractors.

**James Kelly:** Does the £458,000 include contractor and consultant costs, or are consultant costs a separate line?

**Paul Grice:** Derek Croll can give you the consultant figure.

**Derek Croll:** The £458,000 is just contractor costs. Consultant costs are budgeted at £295,000 next year.

**James Kelly:** How does that compare with the forecast for the end of this financial year?

**Derek Croll:** It is a reduction of £60,000, or 17 per cent, from the current year.

**James Kelly:** You will be aware that there is an on-going review of members' allowances. You did not think that it was appropriate to anticipate the outcome of that review. You also wondered whether the allowances review panel might consider deferring implementation of the outcomes of the review until 2009-10. Will you expand on your thinking on that? What thought have you given to how it might impact on future budgets?

**Tom McCabe:** The contingency allowance in the budget exists for genuinely unexpected expenditures, but it would be wrong to say that we were not mindful of the fact that a major review was taking place.

You have also kicked in a third conflict of interest. As well as being a member of this committee and a member of the SPCB, I am on the allowances review panel—there are an awful lot of linkages. Clearly, the panel will report and will have an impact, but the comment about a year's delay is speculative. To be frank, I do not think that you could put it more strongly. No one could say that the review panel will necessarily take that decision.

**James Kelly:** Your submission states that you are looking to reduce, and have actively been reducing, running costs. One mechanism to achieve that has been the outsourcing of information technology and maintenance. Are you happy that there has been no reduction in service as a result of that outsourcing?

**Paul Grice:** Yes, I am. The new IT contractor is due to take over at the end of next year. LogicaCMG is a well-respected company, although I am happy to say on record that Wipro Technologies has been very good. Indeed, the way in which it has behaved since realising that it had not won the contract has been exemplary.

We were impressed not just by the keen price that we got from Logica but by the quality of the bid. When I am before you next year, I will be able to speak with the benefit of nine months' experience, but I can tell you that the company already has the Scottish Government contract and that it impressed the selection panel with some strong references from existing customers. I hope that we at least maintain the quality while reducing the cost. Logica has not taken over yet, but the

selection panel was impressed by its track record as well as its keen tender.

**Joe FitzPatrick:** Has there been any consideration of increasing the use of open-source software in the Parliament? Some other Parliaments in Europe have reduced costs by using it.

**Paul Grice:** Yes, we have considered that issue. I cannot give you details, but I would be happy to let you have a note about it. Like many companies, we are using licensed Microsoft software for the most part, but our IT department has looked at open-source software and I am happy to provide you with a more detailed note on it.

**Joe FitzPatrick:** That is great, thank you.

**Liam McArthur (Orkney) (LD):** The submission was clearly set out, and the opening remarks were also helpful. To be fair to Tom McCabe, I would perhaps spin his various conflicts the other way and suggest that he is taking on multiple roles to drive down staff costs.

In your opening remarks, you made quite a play about accessibility and the tough decisions and questions that you have had to wrestle with. Looking at the amount that is allocated for events, and leaving aside the exceptional expenditure for the session 3 opening, I note that there seems to be a marked reduction of around £40,000 for events next year. What reassurance can you provide that, in securing that reduction, we are not removing the accessibility and openness of the Parliament? What events are likely not to take place because of the budget reduction?

**Tom McCabe:** I do not think that any of our consideration of the overall expenditure will involve a significant reduction in events. Quite the opposite: we are examining ways in which the Parliament can open itself more to outside organisations, whether they are private companies or the various charitable and voluntary organisations that often have a presence here. Anything that we are currently considering will not be against a background of reducing accessibility—it will be the reverse.

**Liam McArthur:** Just to be clear, would you envisage more cost sharing for events than has been the case in the past?

**Tom McCabe:** Yes. We will also look at how particular organisations—perhaps not a high percentage of the organisations that use the Parliament—could make a different kind of contribution to the costs incurred.

**Liam McArthur:** That is reassuring. I hope that this will not appear to be completely at odds with that line of questioning but, against the backdrop of a limited increase overall in the other budgets,



there is a rather eye-watering increase of 585 per cent for "Other Projects". Will you set out in a little more detail what is encompassed within that heading and what the explanation is for the increase?

**Tom McCabe:** I will ask the chief executive to cover that.

**Paul Grice:** It is an eye-watering figure in percentage terms because it starts from a very low base. There are two reasons for the increase. First, two or three major projects are under way. One concerns security and, in another, we are taking a hard look at our human resources function. Not only are we considering its efficiency, but I am determined to give it a greater member focus. A lot of new members have come in, and I think that they would say that, for all that interest in parliamentary procedure is important, they need to be allowed to get offices up and running. There is a need to refocus that.

Secondly, we have stripped projects out of the line budgets. In the past, you might have found in an office budget tens of thousands of pounds for projects that were being run. We have pulled them out so that we can examine expenditure on projects separately. The fact that we are reporting them separately accounts for a lot of the increase.

A combination of two or three significant projects plus a different method of reporting explains the significant apparent uplift.

**Liam McArthur:** What is likely to happen with that budget in future? You say that it has come up from a low base. Is the expectation that, if there were an increase in future years, it would be more incremental?

**Paul Grice:** I expect that budget to be stable. As Tom McCabe said, we are thinking about investing in ideas and decisions now that might generate savings over the next two or three years. In that climate, there simply will not be room. One of the reasons why we have lifted projects out of the line budgets is that we now have a better view of the whole portfolio of projects across the Parliament from the big stuff to the £10,000 for improving a little bit of software somewhere. The idea is to have a much better grip on those. I want to manage them almost in accordance with a pre-set budget to force us to take decisions on priorities. In a sense, it will not be a question of whether we can do that because we will almost have to.

The new system will allow us to have a much better focus. Often, projects are optional. Sometimes, there simply is not the money to do them and we have to say that a project will have to wait for another year if it is not a top priority. That has been behind the changes that we have made. The step change in accounting practice has to be made one year and this year is it. That produces

what looks like an extravagant change, although a lot of it is just a stripping-out. Next year, if there is any increase at all, you can expect it to be very much smaller.

**James Kelly:** You said that you were taking a hard look at your HR function and that you wanted to make it more member focused. You have an HR change programme in the budget that, from my calculations, will involve spending something in the region of £380,000. What is the justification for spending that amount? I agree with the objective of making the staff more member focused, but what effect are we getting for our £380,000?

**Paul Grice:** Obviously, the process itself costs a certain amount of money. We have to accept that, if we are going to do it, we have to do it properly. There is scope to make the HR function more member focused but there is also a chance to improve the quality of service across the Parliament.

A significant amount of the expenditure will be on a new HR system. The one that we have was not particularly top of the range when we took it on eight or nine years ago and we are getting to the point where some of the old systems are no longer supported. In other words, it does not give us the sort of data that I would like on staffing in the Parliament, to be honest. We need to monitor issues such as vacancies and sick leave to allow us to take a much more dynamic approach.

I would not go ahead with that expenditure if I did not believe that it would make us more able to run a slicker HR system across the piece. I do not want to anticipate the outcome too much, because the project is not finished yet. Recently, we have done work with groups of members on their pooled arrangements for employing staff. That is quite a specialist area and the idea is to free up a bit more resource so that we can have people with expertise on that, but going through that process takes time. The figure represents a combination of the cost of the effort to get there and the cost of a new computerised HR system. Hopefully, that will do us for 10 years, as the current system has. Unfortunately, that has required a step change in investment.

14:30

**James Kelly:** Is it correct to say that the £385,000 is split between the costs of a new system and the costs of reorganisation? One of my concerns relates to an issue that we discussed earlier—the fact that you are bringing in a team of consultants to run a training programme. I have seen that in other organisations. You seem to be saying that the money is more for systems than for reorganisation.

**Paul Grice:** It is. The figure includes a bit of consultancy spending, which is appropriate. We have tried to do as much as possible in-house, but this is one of the relatively few occasions on which a bit of consultancy expenditure can be justified to provide objectivity. Often people in HR are responsible for providing objective critique to other teams. When HR is subject to review, we need someone with a detached view to challenge it; the head of personnel has been open to that. There is an element of spending on both systems and reorganisation. I would be more than happy to provide the committee with a note giving a more detailed breakdown of the figure, if members would find that useful.

**James Kelly:** It would be useful.

**Elaine Murray (Dumfries) (Lab):** The line for capital expenditure is estimated at £1.8 million, of which £900,000 is mainly for IT costs. The other £900,000 has been set aside as a contingency fund. Do the IT costs reflect what has been spent in previous years?

**Tom McCabe:** No. As I said, an IT refresh in the Parliament will begin in 2008-09. Not all the costs of the refresh will be absorbed in that year, but an allowance has been made to cover the beginning of the process. That is one reason why there is an increase in overall capital expenditure, albeit one of only £0.2 million.

**Elaine Murray:** What is the basis of the calculation of £900,000 for capital contingencies?

**Paul Grice:** Basically, we have looked at all the possible calls and taken out 75 to 80 per cent of that expenditure—we have not allowed for all of it. Derek Croll will put more flesh on my answer and give examples of the issues that we have considered in order to build up the total.

**Derek Croll:** Paul Grice has covered most of the ground. There is a list of issues that we have considered as potential grounds for capital expenditure on new system development: for example, changing the allowances systems to cope with new arrangements following the review of allowances. We have provided as a contingency around 50 per cent of the total figure for potential capital expenditure.

**Elaine Murray:** There is a separate line of £1.8 million for contingency.

**Derek Croll:** Under the budgetary arrangements, we have to account separately for revenue and capital expenditure.

**Elaine Murray:** The figure of £1.8 million includes £0.6 million for genuine emergencies—we hope that we will not have any—and £1.2 million for

“unexpected or unquantified new cost pressures.”

If you are not expecting those pressures, how do you know how big they are likely to be?

**Derek Croll:** It is a value judgment.

**Elaine Murray:** Is the figure just based on a percentage?

**Paul Grice:** We go through a detailed process. I invite all parts of the organisation to indicate whether they have projects or demands that they know about but which they cannot guarantee will go ahead—some are close to 95 per cent likely, others are less so. Once we have obtained that information, we and the corporate body make a pragmatic judgment on the percentage of the total figure for which we should provide. That is how we get the figure of £1.2 million, which is about 78 per cent of the total. We could choose to set aside 100 or 50 per cent of the total—it is a judgment call. The corporate body thought that about £1.2 million was the right amount, and I agreed. The other £600,000 is for things that we cannot control, such as being taken to court.

Contingency is always a matter of judgment. We could manage without a contingency, but we would be taking a big risk if we did. However, if the contingency was too big, we would be tying up money. The figure of £1.2 million is built up from a lot of thought and analysis; we take a pragmatic view on top of that, but there is a long list underneath the figure. We regard the £0.6 million as a sensible amount of money to have against a completely unexpected demand.

**Elaine Murray:** The anticipated income for the next financial year is some 40 per cent down on the anticipated income for this year. The explanatory notes suggest that that reflects actual income from the shop, tours and so on. I do not know what the £2,000 from “Other” sources is; I find it difficult to imagine what could have brought in that sum. Are the shop and the tours not as popular as we expected them to be? Has demand fallen over the years since the building opened?

**Tom McCabe:** I am informed that the £2,000 is probably from DVD sales; I would like to be able to say that I knew that before I came to the committee, but I did not. That explains that strange figure.

The Parliament's entrance area is under quite stringent review. We are looking at the interaction between the shop and our visitors. Is the shop sufficiently attractive to the people who come here? Does it have a wide enough offering? Members need to remember that the expenditure is pretty conservative. I am talking not about the overall total, but about the fact that sales tend to be of whisky and chocolates, which people buy to take to functions and so on. It is not very adventurous. We are examining whether, in a place that attracts a not inconsiderable number of

visitors, we are maximising the opportunities that the shop offers.

**Elaine Murray:** The anticipated income for this financial year was considerably in excess of what it looks as if we will take. How has the income figure changed since we moved into the building in 2004? Is it increasing or decreasing?

**Tom McCabe:** There were specific reasons for last year's figures. Given that it was an election year, the place was closed for a period of time. Paul Grice knows more about trends over the years.

**Paul Grice:** Tom McCabe is right. The shop has proved difficult in terms of its location and layout. We are having a long, hard look at that. We have discussed interim measures with the corporate body, but we are having a big look at the whole of that area. Again, the shop is one of the areas in which we see an opportunity in the longer term to improve what we do and to find ways of reducing overall costs, perhaps by increasing income.

Tours have been difficult: the mix of concession and full-price tickets caught us out. We have had more concessions than the projections showed—more older people, people with children, and so on. Tours have been a bit of a learning process for us, although the numbers are now fairly stable. I therefore expect the projections to be closer to the actual figures this year.

In the longer term, we need to look creatively at tours. It is a case of not only driving up income, but looking at ways in which to do tours more cheaply—for example, by giving people more choice. There are things for us to learn. We can learn a lot from other visitor attractions, albeit that we are not in that category; some attractions provide tours quite cleverly. Having reached a more stable point, we want to look at that area. Looking ahead to the next three to five years, we want to see whether we can do something that is cost effective and which improves accessibility for the people who come to the Parliament.

**Elaine Murray:** How does income from tours compare with expenditure? You probably recall that, before we moved into the building, the suggestion of charging for tours resulted in a lot of bad publicity along the lines of, "The building belongs to the people, but they will be charged to take a tour." At that time, the tours were supposed to wash their face—the money that came in would be similar to that which went out on tour guides. Is that still the case?

**Tom McCabe:** There is a subsidy of around 30 per cent on the tours, which equates to around £65,000.

**Derek Brownlee (South of Scotland) (Con):** I appreciate what you said in your opening

statement on the corporate body's difficult role with regard to its influence on the budget-setting process for commissioners and ombudsmen. I appreciate that that is a difficult balancing act. However, if we look at the detail of what is proposed we see a significant variation in the figures, even when we take into account the different roles of the commissioners and ombudsmen.

I suspect that you will be able to answer my first question quite simply. Staff costs for the Scottish Public Services Ombudsman, the Scottish Information Commissioner and the Commissioner for Public Appointments in Scotland have increased by reasonable sums, whereas staff costs for Scotland's Commissioner for Children and Young People and the Parliamentary Standards Commissioner have not. Are the increases for the first three the result of inflation, of pay increases, or of increased head counts?

**Tom McCabe:** It is a combination of those things. The incremental movement of staff through the scales had a bigger impact on the uplift of the wage bill of the Scottish Information Commissioner than on the others.

We had some quite strong exchanges with one commissioner about the point on the scale at which new staff were placed. The commissioner decided to stick to their decision and we expressed a strong view that we disagreed. There has not been a lessening of the corporate body's scrutiny. When we think that a commissioner has gone a bit too far, we express our view, but it has not always been taken on board.

There is a fine balance because, ultimately, the commissioners have operational independence and the right to determine how they operate. There is a fine line between the role of the SPCB—and perhaps even the role of the Finance Committee—and the role that the Parliament envisaged for the bodies when it set them up. I do not mean to pass the buck, but if the tension between those things gets too strong, the matter will go back to the Parliament as the creating body. It is not a matter only for the SPCB.

We try to fulfil our stewardship role adequately but, as you rightly recognise, there can be a bit of a balancing act.

**Derek Brownlee:** The difficulty arises in circumstances—such as the ones that you mentioned—in which the SPCB takes a different view from a commissioner or ombudsman but does not want to be seen to direct them or to cross a statutory line. I might be wrong, but when you described that particular instance, you seemed to be careful not to drop any hints as to which body you were talking about. When the corporate body has taken a view and a commissioner or ombudsman has taken a different view, is it

reasonable to expect that we should know which one is involved?

**Tom McCabe:** It was the ombudsman. I appreciate your acknowledging that I was being careful, but I was not unnecessarily concerned to try to withhold the information. The issues are worthy of wider consideration.

**Derek Brownlee:** That is helpful.

On staff-related costs, again, there seem to be different patterns for the various commissioners and ombudsmen. The roles of the Scottish Public Services Ombudsman and the Scottish Information Commissioner are to some extent driven by the public and not a great deal can be done to control the volume of requests that they receive, but they have both been able to reduce their costs. Scotland's Commissioner for Children and Young People has a very different role—in essence, it is whatever she chooses to make it—and her staff-related costs have increased significantly. What challenge has been put to her? Why are other organisations with more staff and less control over their workloads able to control costs while, it appears, Scotland's Commissioner for Children and Young People is not?

**Tom McCabe:** In the case of Scotland's Commissioner for Children and Young People, the original submission was significantly above the rate of inflation. The SPCB had an exchange of letters and a session with the commissioner and, from memory, the director of finance. Eventually, we managed to use our persuasive powers to convince the commissioner to reduce the bid significantly and bring it in below the rate of inflation. The original bid was the result of a robust zero-based budgeting exercise—I think that those are the words that were used. I think that the point was made at the meeting that such exercises usually result in lower costs, not higher costs.

14:45

**Derek Brownlee:** The same point arises in relation to running costs. It seems that the Scottish Public Services Ombudsman and the Scottish Information Commissioner have been able to reduce their running costs, but the running costs for Scotland's Commissioner for Children and Young People and the Commissioner for Public Appointments in Scotland have significantly increased. What has driven those cost increases?

**Tom McCabe:** Perhaps Derek Croll can give specific details about that. I will make a wider point.

In my opening remarks, I said that our approach to expenditure on commissioners and ombudsmen was predicated on achieving increases that are no greater than inflation. I think that there will be an increase of 2.6 per cent on last year's budget for them, which, as members know, is a fair bit below

the current retail prices index figure. However, given that the uplift in wage costs has been determined—the money for the Scottish Information Commissioner, for instance, is linked to the parliamentary wage settlement—and staff move through increments at a certain time, one has little control over such things. The more that that happens and the more that we control overall increases at or below inflation, the result is that although people are being paid, the money that is available to the bodies to perform the function that they were created to perform is being reduced. If that continued over a prolonged period, it would clearly be a concern in areas much wider than the SPCB.

**Derek Croll:** The £26,000 increase in running costs for the Commissioner for Public Appointments in Scotland is for a mixture of things—money for the launch of an equal opportunities strategy; £10,000 for attendance at events, seminars and conferences to promote the strategy and raise awareness of the office; and £10,000 for upgrading the website. Sundry printing costs are also involved. An increase in advertising and research lies behind the costs for Scotland's Commissioner for Children and Young People.

**Derek Brownlee:** Finally, I want to discuss the basis of the Scottish commission for human rights bid. I appreciate—[*Interruption.*]

**The Convener:** The person whose phone is turned on should turn it off, as it is interfering with the microphones.

**Derek Brownlee:** I appreciate that we are dealing with unknowns to some extent with the Scottish commission for human rights, but how was its budget of £1 million assessed relative to that of other commissioners and ombudsmen? For example, how was the proportion relating to staff-related costs assessed?

**Paul Grice:** The new Scottish commission for human rights is in a slightly different position. The amount was determined by the financial memorandum to the Scottish Commission for Human Rights Act 2006. Of course, the office has not even been set up yet and the Parliament has yet to approve the appointment that it must make. Things are therefore slightly awkward for the corporate body; in reality, there is no one with whom to negotiate. The same happened with the other commissioners. To get things about right, one relies on the act and the work that the Government side did to set things up. I think that the commission will be subject to more detailed scrutiny when it is up and running.

In passing, I should say that we have tried to learn lessons. A location power that did not previously exist has been given to the corporate body, and we have been involved in detailed discussions with people from the Scottish end of

the United Kingdom Equality and Human Rights Commission and those who are involved in setting up our commission, who are co-located in Glasgow. We hope to make economies as a result not only of the co-location of space, but of sharing services. We probably collectively missed a trick in that respect with the other commissioners. That is our starting point. Clearly, we have not had anyone with whom to negotiate, and that is still the case, although I think that there will be at least a lead commissioner imminently.

Derek Croll may want to go into more detail.

**Derek Croll:** Paul Grice has probably covered everything. The figures in the budget are simply what was in the financial memorandum.

**Derek Brownlee:** When we looked at some of the budgets last year, or perhaps it was even the year before, the children's commissioner—I stand to be corrected if it was not her—made the argument that, because the financial memorandum had said X, the budget should have said the same. That was a reasonable assumption for the public body to have made. However, I ask you to clarify that that does not mean that you are committed to a budget of £1 million if the service can be delivered in a more cost-effective way.

**Tom McCabe:** Absolutely not. As has been said, we have been guided clearly by the material that passed through Parliament. It is part of our role, along with the lead commissioner, to examine ways of delivering the service as cost effectively as possible. I would like to be able to say that there is a history of services being delivered for less than the financial memorandums originally stated, but you and I both know that that would not be true.

**Liam McArthur:** Tom McCabe referred to advertising and research in relation to Scotland's Commissioner for Children and Young People. There is an argument that, as awareness increases of the work that such bodies do, and as their effectiveness is demonstrated, running costs and staff costs are likely to increase. Has there been discussion with each of the commissioners and ombudsmen about that risk and how the process can be managed over time?

**Paul Grice:** I recall a debate on exactly that subject, not this year but last year, in which the corporate body took a keen interest. On the one hand, the corporate body accepted that some commissioners—especially those with an advocacy role—would want to increase awareness; on the other hand, it was live to the fact that that, in turn, could generate more work. There is a balance to be struck and, as Tom McCabe said, it is a fine judgment. The corporate body is live to the issue and recognises that greater awareness is important to the services, including the ombudsmen and the information

commissioner, because they have a role to play; however, it is acutely aware that that would generate more business. I suppose that the answer is to find ever more effective and efficient ways of dealing with the cases that are brought to those services.

I remember a pretty lively discussion on that very subject with more than one of the commissioners. The parameters for where it goes in the future will, I think, be set by this committee and by the corporate body.

**The Convener:** Everybody is, rightly, aware of the sensitivities involved, but we are also aware of the fact that open-ended public budgets bring with them greater responsibilities for those who operate them. Your comments are well made. We all have a duty to seek the best value for money from public funds.

**Alex Neil:** I have two questions that are on a slightly different subject but in a similar vein. First, I am surprised that ministers' salaries are within the corporate body's budget. Why is that? Surely ministerial salaries should come out of the Scottish Government's allocation, not the corporate body's allocation from the consolidated fund. Is that something for us to examine?

Secondly, am I right in saying that, as well as ministerial salaries, the related national insurance contributions, ministerial pension scheme contributions, and ministerial severance payments also come out of the corporate body's allocation? I do not see the logic in that. Why does that money not come out of the Government's accounts instead of the Parliament's accounts?

**Tom McCabe:** Derek Croll can give you the detail of that. I think that it is an in-and-out exercise rather than a cost to us.

**Derek Croll:** No, we bear the cost. I think that it was part of the statutory provisions.

**Paul Grice:** I do not think that it is too controversial to say that it is a little anomalous on the surface. I think that all the costs you mentioned are included in the corporate body's budget. I will have that double-checked for you, and if I am wrong I will write to you.

You asked why that is the case. My recollection—again, this dates back quite a few years, and I will happily check it out—is that it goes back to an historical decision that the Parliament took on salaries and the way in which they were to be delivered. Under the resolution that it passed, the Parliament has the authority to pay those salaries. I think that the decision could be reversed, but legislation might be required to do that. The Finance Committee might take an interest in the matter. It would be fair to say that the corporate body has not sought the role and would not guard it jealously.

I could check the facts and write to you, but I have a feeling that the situation arose because there was not another option, given the means we had to make those payments at the time. Because the decision was made by resolution of the Parliament, the corporate body had to be the means for making the payments, and that is why we have been left with the responsibility. It is no more than that.

**Alex Neil:** Two important points arise. First, with 21 ministers—I think that, at one point, the number reached 22—the ministerial salaries plus national insurance contributions plus pension contributions, leaving aside the severance payments, came to about £1 million. Even with a smaller ministerial team they come to about £750,000, which is a substantial proportion of the MSP line in the budget. The amount involved is not insignificant.

Secondly, ministerial salaries are not set by the corporate body. The number of ministers—either cabinet secretaries or junior ministers—is set, quite rightly, by the First Minister. The corporate body therefore has no control over the amount of money that it can allocate to ministers. Tom McCabe said at first that this was an in-and-out exercise; if so, it does not matter, but that does not appear to be the case. The situation is anomalous in a number of ways. It is obviously historical, but perhaps we should examine it.

**The Convener:** We are looking at parts of the budget that are controlled by other folk. Do you wish to pursue that point, Mr McCabe?

**Tom McCabe:** Alex Neil is right to say that it adds to the overall total of the call on the consolidated fund and increases the element over which we do not have any control. However, if control over those costs passed back to the Scottish Government, our call on the Scottish consolidated fund would fall proportionately. In that sense, it is a bit in and out, but if a future First Minister decided to have 25 ministers, anyone who looked at the books would see that we were making an increasingly large call on the consolidated fund. If responsibility were passed back to the Scottish Government, exactly the same amount of money would be spent, but it would simply reduce our call on the funds.

**Alex Neil:** When the press report your accounts, they will just say, “MSPs pay themselves,” and according to the budget submission we are paying ourselves £1 million more than we are actually getting.

**Tom McCabe:** In the position that I am in now, I can see that that area needs serious reconsideration. [*Laughter.*]

**The Convener:** As the point has been raised, do you wish to give it some more thought and come back to us with your views?

**Tom McCabe:** Of course; I can do that.

**James Kelly:** The corporate body balance sheet shows that, for the year ending 31 March 2007, the level of current assets is roughly £4.4 million and the level of creditors is £17.1 million. The figure for creditors is nearly four times the amount of the current assets, which seems quite high. Also, the level of creditors falls in the 2008-09 projections by more than £7 million to just short of £9.9 million. What is the reason for the high figure for creditors?

**Derek Croll:** The figure for creditors is high at the end of March 2007 because of a number of retentions and accruals on the Holyrood project that are still to be paid. Obviously, that amount disappears during the year.

**James Kelly:** The level of creditors that you are running at is roughly three times the level of the current assets. Do you expect such a ratio to continue? Are you working to a specific ratio, or have those figures just fallen out of the different financial transactions that you have processed during the year?

**Derek Croll:** The projection is based on experience. It is mainly accruals; there is also a Scottish consolidated fund creditor, which balances out the cash.

**James Kelly:** The figure for creditors is nearly three times the level of current assets. Are you deliberately running at that level, or is it something that just follows through?

**Derek Croll:** We are not a trading company, so the current assets do not work in the same way as they would for a commercial company. The creditors heading is just accruals—at the end of a month, we account for the cost of things, but we might not pay the money until the following month.

**James Kelly:** So a large part of that portion of the £9.8 million is accruals, which probably explains why that total runs at a much higher level than the current assets total.

**Derek Croll:** Yes.

**The Convener:** We have asked all our questions in a fairly long session. I thank the SPCB witnesses, whose contribution is much appreciated. Do they have any final comments to make?

**Tom McCabe:** I thank the committee for the way in which it conducted the session; it is much appreciated.

15:00

*Meeting suspended.*

15:01

*On resuming—*

## Subordination Legislation

### Transport and Works (Scotland) Act 2007 (Applications and Objections Procedure) Rules 2007 (Draft)

**The Convener:** Under item 2, we must decide our approach to dealing with a draft statutory instrument. We agreed last week that we would look at pieces of subordinate legislation when we raised concerns during scrutiny of the parent act. On that basis, we agreed that we would look at two pieces of subordinate legislation about which the previous Finance Committee had raised concerns. The instrument that we are considering today is one such piece of subordinate legislation.

Members have a note from the clerks that sets out the previous committee's concerns and explains how the instrument deals with those issues. Do members agree with the suggestion that the committee does no further work on the instrument as it appears that the previous committee's concerns have been addressed?

**Members indicated agreement.**

## Cross-cutting Inquiry into Deprivation

15:03

**The Convener:** Item 3 is correspondence from the Cabinet Secretary for Finance and Sustainable Growth. As the clerk's paper says, we agreed to ask whether the Scottish Government plans to develop the previous Executive's commitments following its response to the session 2 Finance Committee's inquiry into deprivation spending and, if so, what progress has been made.

Members have a copy of Mr Swinney's response and a copy of my original letter. I seek members' views on whether the committee should raise any further issues as a result of the correspondence.

**Alex Neil:** Any issues will arise as part of the discussion that we will have with the cabinet secretary on the spending review. It is all part and parcel of one big discussion—a national conversation.

**The Convener:** That point is well made. If we have further questions or issues, we can raise them when Mr Swinney gives evidence to the committee on the draft budget at our meeting on 10 November. Do members agree to take that opportunity to raise any issues?

**Members indicated agreement.**

*Meeting closed at 15:04.*





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