



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 26 November 2014

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FINANCE COMMITTEE
30th Meeting 2014, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)

*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)

*Michael McMahon (Uddingston and Bellshill) (Lab)

*Jean Urquhart (Highlands and Islands) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Derek Croll (Scottish Parliament)

Eleanor Emberson (Scottish Government)

Paul Grice (Scottish Parliament Clerk and Chief Executive)

John Kenny (Scottish Environment Protection Agency)

John King (Registers of Scotland)

Liam McArthur MSP (Scottish Parliamentary Corporate Body)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Finance Committee

Wednesday 26 November 2014

[The Convener opened the meeting at 10:00]

Draft Budget Scrutiny 2015-16

The Convener (Kenneth Gibson): Good morning, and welcome to the 30th meeting of the Finance Committee in 2014. I remind everyone to turn off any mobile phones or electronic tablets.

Before we move to agenda item 1, I inform everyone that Jamie Hepburn has resigned from the committee, following his appointment as the Minister for Sport and Health Improvement. In the words of the First Minister yesterday,

“Jamie Hepburn has performed exceptionally as a member of the Finance Committee”.—[*Official Report*, 25 November 2014; c 9.]

I put on record the committee’s thanks to Jamie Hepburn for his hard work and his contribution to the committee in recent years. His replacement is yet to be decided on.

Our first item of business is to continue our consideration of the 2015-16 draft budget. I welcome to the meeting Liam McArthur MSP, a member of the Scottish Parliamentary Corporate Body; Paul Grice, the chief executive of the Scottish Parliament; and Derek Croll, the head of financial resources in the Scottish Parliament. Members have before them copies of the SPCB’s budget proposals for 2015-16.

I invite Liam McArthur to make a short opening statement.

Liam McArthur MSP (Scottish Parliamentary Corporate Body): Before I start, I just want to say that the new Minister for Sport and Health Improvement will be more than welcome back to his place in the Scottish Parliament football team when his diary permits.

I thank the committee for the opportunity to present details of our budget submission for 2015-16. This represents the fifth and final year of our five-year programme of savings, which set out to match the planned reductions in the Scottish budget over the term of the United Kingdom comprehensive spending review.

As the graph in the Presiding Officer’s letter demonstrates, we have successfully delivered that programme of savings and, by the end of 2015-16, we will have achieved an 11.1 per cent real-terms reduction in the SPCB’s budget, compared with the baseline 2010-11 budget.

The committee will be aware that the profile of our annual budget reduction is considerably steeper in the first two years of the programme, as we delivered the vast majority of our savings early. It levels off in the remaining three years, although it still shows a modest real-terms saving.

In setting our budget proposals for next year, and particularly as we look ahead to challenges in the next session of Parliament, we have already actively responded to a number of emerging cost pressures, including the further tax powers arising from the Scotland Act 2012 and the decision to increase the level of outreach work to capitalise on the public engagement around the referendum.

However, we are clearly not yet in a position to reflect potential budgetary pressures that might arise from the Smith commission proposals and subsequent legislation in our longer-term forecasts and we would therefore aim to update the Finance Committee on that when we return next year. For now, I will outline a few thoughts on the key elements of the figures for this year.

On project expenditure, the SPCB takes its responsibility seriously to ensure that we maintain and replace our assets properly and that we invest in improvements to the Parliament’s services and facilities. Examples of that in our 2015-16 budget submission include the digital Parliament programme to develop and support the effective use of digital technology; planned expenditure on the 25-year maintenance plan for the building; improvements to roof access and other changes to make best use of the building; and planned replacement of some information technology equipment.

Our budget submission for pay is based on a continuation of the tight pay restraint that we have shown in recent years. That is important because pay—for SPCB staff, members and members’ staff—accounts for around 61 per cent of our overall budget. Our current two-year pay deal for SPCB staff ends in March 2015. We have not yet commenced negotiations with the trade unions on 2015-16 pay but, for budgetary purposes, we have assumed a modest increase in line with other public sector pay increases.

MSP pay increased by 1 per cent this year, in line with the Independent Parliamentary Standards Authority’s determination for MPs, and will be directly linked to Scottish public sector pay rises with effect from April 2015 onwards. The SPCB has agreed to seek a resolution of Parliament to amend the Scottish Parliament salaries scheme, replacing the current link to MPs’ pay with a new mechanism that will directly link MSP salaries to future public sector pay rises in Scotland.

Finally, members' staff pay provision will be uprated in April, in line with the provisions of the members' expenses scheme.

I turn to the office-holders. As members are aware, the SPCB is charged with the oversight of the commissioners and ombudsman and in previous years the Finance Committee has rightly taken a strong interest in how we exercise that oversight.

We also welcome the involvement of other committees in scrutinising aspects of the various office-holders that are not within our remit. In my capacity as a member of the Education and Culture Committee, I point out that, last month, we had a useful evidence session on the new powers that are coming to the Scottish Commissioner for Children and Young People.

The 2015-16 budget submissions of the various bodies amount to £8.3 million, which is an increase of 1.6 per cent in cash terms on the equivalent 2014-15 budget. Overall, the office-holders' budget is 8.4 per cent lower in cash terms than the baseline year of 2010-11, which is equivalent to a real-terms reduction of 16.3 per cent.

You will note from our budget bid that we have increased the central contingency for the commissioners and ombudsman by £50,000. That is to make provision for the potential staff costs that may result from the additional powers conferred on the Scottish Commissioner for Children and Young People, pending further work to establish the justification for those costs. The Education and Culture Committee's consideration of the matter is focused on that issue.

Finally, I put on record the corporate body's appreciation of the work done by the chief executive and his team in preparing the SPCB's 2015-16 budget submission.

That concludes my opening remarks. I hope that I have managed to convey a sense of the approach that we have taken to the budget for 2015-16 and the years that follow. My colleagues and I are more than happy to answer any questions that the committee has.

The Convener: Thank you, Liam. As is normal, I will start with some questions before I open up the session to colleagues. It will be no surprise that I start with the revenue projects, because they are obviously the biggest area of increase in the year ahead. You covered the matter in both your report and your opening statement. Can you give us a wee bit more detail on what the digital Parliament programme entails? The paper from the clerk refers to

"the development of infrastructure, systems and services to facilitate effective digital working."

Can you give us a wee bit more information about what that will mean on the ground, so to speak?

Liam McArthur: You are right to point to that programme as being perhaps the principal reason, although certainly not the only reason, for the increase in that budget line. The digital Parliament initiative has been on-going for a couple of years, although it is building up in its intensity. The programme reflects a recognition of the different pressures and requirements placed on MSPs in how they work, how they interact with constituents and how they carry out their work in their constituency and in the Parliament. The notion that MSPs work from a settled base at all times has long since passed, so the Parliament needs to reflect those changing needs.

Some of the investment is in the equipment and infrastructure that are needed to facilitate that and some of it is in the training and skills development that allows MSPs to be supported in their roles. I will ask Paul Grice to talk about some of the specifics.

We will perhaps see an intensification of this work as we go forward. We are attempting to capture the views of MSPs on an on-going basis to make sure that what has been put in place genuinely meets their needs, which will vary widely. I know that I operate in a different way digitally from some of my colleagues and the same will be the case in each group. We must therefore ensure that what we put in place does not push the envelope too far for some MSPs and allows them to feel comfortable in how they carry out their work but does not inhibit others who want to go further and are keen to trial new ways of working. Paul Grice will add some comments.

Paul Grice (Scottish Parliament Clerk and Chief Executive): I will give a few examples. There is what we might call the behind-the-scenes investment to get common data systems. That is really important, given that one of the underlying philosophies of digital is about trying to reuse information more efficiently so that it is input less often and is more consistent. For that to happen, common data standards are required.

Our business publications project is enabling a shift to digital for our core business publications, and there is a members' portal, which we hope to launch in the next few weeks—in fact, we are briefing the corporate body on that later this morning. We are also upgrading the meeting rooms to provide better digital facilities. There are a range of projects within the programme, and that accounts for a big chunk of the spend that we propose for next year. We hope that that investment will lead to the provision of better services to members in the long run.

Liam McArthur: It will be an on-going cost. However, as you will have noted, the indicative forecast for 2016-17 sees the figure fall from £3.9 million back down to £2.2 million. I think that we will see fluctuations in the figure but, as Paul Grice says, we committed to the programme a couple of years back and we are looking to roll it out increasingly over the years ahead.

The Convener: Thank you for that. Let us turn to the issue of staff pay. Staff-related costs are budgeted to increase by about 8.8 per cent on the figure for the current financial year. Can you talk us through that a wee bit?

Liam McArthur: Agreement was reached to keep a lid on staff pay but, as we emerge from that, there will be increased costs. The negotiations with the unions for next year have yet to commence, but we are building in an assumption of a modest increase and we will see something similar in relation to MSPs' pay. As I said in my opening remarks, the corporate body is committed to bringing the issue of breaking the link with MPs' pay before Parliament for agreement. That is the general gist of why the figure is going up.

The Convener: I am not really asking about the staff costs; I am asking about the related costs. Your submission says:

"it is important to ensure that adequate budgets remain available for staff support and redeployment, particularly through training in new systems and job related skills."

Why has there been a significant increase on the previous year in that particular budget line?

Paul Grice: I ask Derek Croll to answer that question, and I will add anything that I think is necessary.

Derek Croll (Scottish Parliament): The main increases in that budget line are for travel, expenses and job-related training. As we have reduced the number of staff in the Parliament over the past few years, there has been a greater emphasis on training and redeploying staff to different areas. Part of the increase is down to training in specialist areas, quite a lot of which involves web and social media and new technologies. On the travel and expenses side, there is now more emphasis on travel outwith the Parliament so the Parliament's engagement activity—Parliament days and other things—is putting up the cost slightly in that area.

The Convener: Are you hoping to encourage the Parliament and its committees to meet more outside Edinburgh?

Liam McArthur: There has always been a balance to be struck. Understandably, in the early stages of the current session of the Parliament there was a recognition that, given the wider

messages about tightening budgets and austerity, it would be inappropriate for the Parliament to spend too heavily in that area. However, the Parliament's underlying principles have always been about being accessible to the whole of Scotland. It will surprise no one that, as the member for Orkney, I very much applaud that endeavour.

Nevertheless, there will remain a balance to be struck. Budgets are not going to increase substantially, but we need to ensure that we are giving effect to the underlying principle that we are accessible and provide opportunities for people to engage directly with parliamentarians and Parliament officials. We are starting to see that through the involvement of the committees in the Parliament days, which are being run in a way that demonstrates that we are working more cleverly with the resources that we have. Through the Parliament days, we are trying to have more of an impact in the areas that we visit than we would have through sporadic, ad hoc committee meetings. Taken together, such meetings could be justified, but they would perhaps absorb more resources.

The Convener: I was intrigued and delighted by the £906,000 reduction in rates following

"last year's successful negotiation with the Lothian Assessor to secure a 19.6% reduction in the high rateable value initially placed on the Scottish Parliament by the 2010 Rating Revaluation."

However, from my rough figures, that means that about £4 million a year is still being paid in rates. Is there further scope for a reduction in the rates and is there any backdating of the rating reduction to 2010?

10:15

Liam McArthur: I will hand over to Paul Grice, who carried out those slightly idiosyncratic negotiations. You are right that it is a sizeable reduction, and it was secured after two or three years' worth of negotiations on appeal. I would not like to say what the scope is to reduce the bill further, but Paul Grice might be able to comment.

Paul Grice: The reduction was backdated so, last year, we returned what we might call a windfall gain to the consolidated fund. There is a periodic revaluation every five years or so. In the most recent one, there was a significant proposed increase, which we challenged, ultimately successfully. That accounts for the money. Initially, we had to budget for the amount that the assessor claimed but, ultimately, they accepted our strong contestation that that was not appropriate. I do not think that there will be a further opportunity until the next revaluation. Unfortunately, the situation tends to be that they

try to push it up and we try to resist that, rather than there being an opportunity to reduce the sum. Your calculations are exactly right that the figure that is still paid is just under £4 million. Obviously, given the threat to push the figure closer to £5 million, we were pleased to secure that outcome.

I should say that the real credit goes to Derek Croll and his team. I simply made the last phone call, and the other 99 per cent of the work was done by those colleagues. The reality is that rates are still a substantial element of our spend. As you rightly say, the figure is nearly £4 million a year. I am afraid that I do not foresee any change in that over the medium term.

The Convener: I just wonder how charging that amount of rates on the Parliament can be justified.

Paul Grice: The problem is that this is a unique facility. Normally, with more commercial premises, there is a market and the process is reasonably straightforward. With unique, iconic buildings such as this one, it comes down more to a matter of judgment, which is why we challenged the decision, ultimately successfully. At the end of the day, it is difficult. It is done by professional property valuers, but there is no market for us. We cannot look round Edinburgh and say that other Parliaments tend to trade at a certain value. I suspect that, next time round, it will be a negotiation involving a similar amount, although we will obviously use your comments to strengthen our resolve when those negotiations come.

The Convener: We can go into that in further detail, and perhaps my colleagues will do so, but I will leave it for the moment, because I want to ask about one or two other things before I let my colleagues ask their questions.

With regard to the commissioners and ombudsman, we have previously discussed with the SPCB the possible relocation of the commissioners to a single hub. Last year, Liam McArthur said:

"we were working with office-holders to effect savings by reducing the number of properties in Edinburgh and ... we hoped that we could co-locate a number of offices on the Government estate near Haymarket."—[*Official Report, Finance Committee*, 13 November 2013; c 3285.]

Unfortunately, that was not achieved. Has any further progress been made on that, or is it likely to be made?

Liam McArthur: Co-location remains an objective of the corporate body to achieve where we can. Since we last spoke, Scotland's Commissioner for Children and Young People has moved to larger but less expensive property in Edinburgh that has scope for accommodating others, and we have reached an agreement with the commissioner on that. In the past three or four

years, the number of offices has been reduced from seven to four. Obviously, we have the Scottish Information Commissioner in St Andrews, and it is felt that, for a number of reasons, it would not make a lot of sense for that commissioner to move to Edinburgh.

We are continually on the look-out to try to achieve co-location. Lease breaks and the like provide the trigger to do that in a way that releases savings. The issue is constantly under review, but there are no opportunities to achieve that on the immediate horizon.

The Convener: Before I invite the deputy convener to ask the next questions, I wish to ask about office utilities. One of the bugbears with MSP offices, which we have discussed before in private by email, is the issue of bills being sent out. By the time they go through the process, members are already receiving final demand letters and so on from certain organisations.

Yesterday, one colleague—a member of the Cabinet, in fact—told me that he got an offer from Scottish Water of a 10 per cent reduction in his bill if he paid by direct debit. That is not really open to us. I know that there are one or two issues there but, given that level of reduction, the number of offices that we have and all the different utilities that we use, what scope is there for introducing such measures?

Liam McArthur: I will pass over to Paul Grice to cover the detail, but we recognise that, largely through your efforts, convener, we have been able to make changes to how MSPs' utility bills are dealt with so as to extract better value for members and for the Parliament as a whole.

We have had an opportunity to discuss the issue that you raise. There is a concern about direct debits, which are different from standing orders. Nevertheless, the arguments that have been made about continuing to secure savings and best value where we can very much coincide with the aspirations of the corporate body. Paul Grice has already done some initial thinking with his officials about how we might be able to achieve that.

Paul Grice: As you know from our correspondence, convener, I think that such changes are a really good idea, and I strongly support them. There are some technical hurdles that we have to overcome, the principal one being that, unlike a standing order, a direct debit is not for a defined amount of money. To give a third party the right to take money directly from our account is a risk that we have to examine. That said, the objective is well worth pursuing, and I have a team working on it. I hope to get back to you as soon as I can with some ideas on the matter.

We previously corresponded on the idea of making Parliament-negotiated contracts available to members. Ultimately, that had a successful outcome, with a significant number of members taking us up on that. We will pursue the matter in that spirit.

There are technical issues, but I sincerely hope that there is nothing that we cannot overcome. I would be more than happy to return to the committee on the matter as soon as I can and, if necessary, brief the committee.

The Convener: That is very helpful, thank you.

John Mason (Glasgow Shettleston) (SNP):

Thank you, gentlemen. You make the point that the budget reduction since 2010-11 has been quite severe, large, or however you want to put it, although it happened mainly in the earlier years since then, so it has evened out a bit. Have we coped with that? Has the building coped with it? I am particularly interested in the maintenance side of things, and about our not cutting too many corners.

Liam McArthur: That is a very fair question. There was a process leading up to the decisions about how the profiling of the budget would take place. We are fairly confident that the strategic approach to that has allowed us to absorb the savings up front, while continuing to make modest real-terms savings in the final three years. We are painfully aware that we would not be thanked by anybody—least of all by MSPs, or by the wide variety of users of this building—were we to act in a way that started to undermine our effectiveness as a Parliament and in dealing with the 350,000 or so visitors to the Parliament.

Each person will have their own view but, as a corporate body, we are confident that we have been able to achieve the changes in a way that has ensured that MSPs, committees and parliamentary business are supported in the way that they need to be supported. We have been able to take on board the new challenges, including the move towards a more digitally focused Parliament, adhering to our 25-year maintenance plan and adhering to the routine checks and maintenance that are required in between times.

I therefore think that the story is fairly positive. Are there areas in which we could have made deeper savings? Possibly, but we felt that, were we to do so, there would be a serious risk of us not being able to continue to provide the level and breadth of service that MSPs and other building users have every right to expect.

John Mason: Okay. The convener mentioned the list of revenue projects, the total for which is £3.9 million. The digital Parliament programme is the largest item, but I am interested in the others.

You made the point that routine maintenance is separate from projects, and I understand that, but will you comment on some of the other items? I take it that

“Planned replacement of chamber lighting”

at £400,000 involves a little bit more than light bulbs. Another item is

“Installation of restraint rail system to improve roof access”.

Was there a fault with that from the beginning? I would have thought that something like that would have lasted a bit longer than the number of years the Parliament has been here.

Liam McArthur: Let me take those items in reverse order. You are absolutely right in your observation on the latter. It was partly a design fault, but also partly an installation fault. It emerged from the routine investigations that are carried out.

There were a number of ways in which we could have dealt with that. We could have incurred a series of ad hoc spends in order to get round the design and installation faults in the roof access system, but the corporate body felt that that would be a case of throwing good money after bad and that the more sensible and prudent thing to do was to put in place a system that is fit for purpose, addresses health and safety needs and recognises the frequency with which access is required.

On who bears the cost of that work, given that it emerged from a design and installation fault at the time of the building's construction, we made fairly strenuous efforts to pursue that through the companies involved. Unfortunately, both were insolvent and it was not possible to recoup the money. We were left with the question whether we wanted to continue to put in place arrangements that would probably have done the job but which would not have addressed the fundamental problem.

On the chamber lighting, as members are aware, partly because of our environmental objectives and responsibilities and partly because of the need to look at making savings where we can, LED lighting is being installed in a number of different parts of the building. The chamber represents a different proposition, not least because of broadcasting, but also because it is a more complex part of the building to deal with. However, we are confident that the advances in LED lighting technology allow us to look at progressing that.

If the work is successful, we will have a system in which the costs of both energy usage and on-going maintenance and replacement will come down markedly. We made a judgment that, having done the work across a large part of the

parliamentary estate, there was an opportunity to look at the chamber. Savings can be released from that, but obviously it is a piece of work that is relatively costly.

I do not know whether Paul Grice has any other comments to make on those items.

Paul Grice: I simply agree with the point that this is not just about relamping. We are looking at a whole new system. As Liam McArthur said, we very much expect it to release running cost savings from less electricity use. As you know, as people who occupy the chamber, replacing the lamps there requires the building of scaffolding, and LED lighting just lasts a lot longer—five or 10 times as long. As well as the environmental benefits, there will be a significant reduction in on-going maintenance, so we think that the investment is worth making at this stage.

John Mason: There is quite a difference in those projects. The roof was a one-off cost, whereas, based on what you are saying, there are big savings to be had from replacing the lighting.

Paul Grice: Absolutely.

10:30

Liam McArthur: We could probably come up with some figures for you on the level of savings.

On the requirements and the responsibilities that the corporate body and the Parliament take on to reduce our carbon footprint, a series of benefits come from the measures. Indeed, those are sensible measures to take.

John Mason: If you could provide the figures, that would be helpful, particularly for the public's perception. It may seem that we are spending a lot of money, but if we are saving £20,000 or £30,000 a year as a result, that would look good.

My final question is about the contingency for the additional powers conferred on the Commissioner for Children and Young People in Scotland; the issue has already been touched on. Who holds that contingency? Who decides whether it is to be released? What happens to it if it is not needed?

Liam McArthur: The Finance Committee had a key hand in the scrutiny of the Children and Young People (Scotland) Bill's financial memorandum. That was exceptionally useful for those of us who are members of the Education and Culture Committee, which led on the policy scrutiny of the bill.

The need, and the timetable, for requiring those additional resources to meet the additional powers that were being conferred through the bill was a subject of some debate through our consideration of the bill. There was a bit of to-ing and fro-ing

between the committee and the commissioner, and between the committee and Scottish ministers.

We felt that we had resolved the issue by the time that the bill had reached stage 3. However, when the bid came through the commissioner for those additional resources, it appeared that some of what was being said did not quite square with the assurances that we had been given during the scrutiny of the bill. Therefore, we had the commissioner back in front of us for further questioning. He also provided written evidence. Again, that suggested that some staffing reallocation had taken place and that a mapping exercise to ascertain the level and the type of need was to be undertaken. All of that made us, as a committee, a little uncomfortable that that work had not already been done. As the corporate body responsible for signing off on the budget, we shared the committee's concerns.

We have agreed that that further work is absolutely essential. The staffing reallocation in the commissioner's office to allow that to happen has already taken place. For the time being, we do not see a need to release the additional funding. Nevertheless, the Parliament has passed the Children and Young People (Scotland) Act 2014, which confers additional powers on the commissioner. Therefore, it is only sensible for us to set aside the resources—I think that the amount is £51,000—as part of a contingency fund to enable the commissioner, should the case be made, to draw down those funds in a timely fashion.

As I said, until we see that further working through of the mapping exercise and the case further developed by the commissioner, we see no reason to transfer the funding.

John Mason: That is great. Thank you very much.

Michael McMahon (Uddingston and Bellshill) (Lab): The Welfare Funds (Scotland) Bill is going through the Parliament, and this committee and the Welfare Reform Committee have identified issues in the financial memorandum around the additional costs that are to be imposed on the Scottish Public Services Ombudsman when he takes over responsibility for second-tier appeals.

What discussions have you had with the SPSO about the additional funding that would be required? How confident are you that the figures in the financial memorandum stack up? Questions have been raised at both this committee and the Welfare Reform Committee about the predicted additional costs.

Liam McArthur: That is a very fair question. We have had initial discussions with the ombudsman. Indeed, we have had discussions with all the

office-holders—we are in a pattern of having them here reasonably regularly to talk through a series of issues. The ombudsman is one of those office-holders whose work is demand led, and it can be difficult to predict the pattern of need and therefore the budget resource that is required. Inevitably, the additional responsibility will push up the demands on the office. Other areas may also have a bearing.

I do not think that the corporate body has taken a view on the financial memorandum, but perhaps Paul Grice can comment on that.

Paul Grice: I underline what Liam McArthur has just said. The short answer is that we are not in a position at the moment to say whether we think that it is robust. There have been constructive discussions with the SPSO.

I draw a parallel with the point that Liam McArthur made about working with the Finance Committee and the Education and Culture committee. The corporate body and officials would be very pleased to work on that issue with the Welfare Reform Committee, convened by Mr McMahon, and the Finance Committee, so that we can come to a common view.

Liam McArthur is right to say that we all expect there to be an increase in workload. We are very pleased to work with the Welfare Reform Committee and the Finance Committee to reach an agreed position on what the additional resources should be. The corporate body's position is that, until it is satisfied and the committees are satisfied, it will not enter into any firm agreement about what additional resources should be released.

Liam McArthur: As I said, the Finance Committee sounded the first warning around the financial memorandum regarding the new powers of the children's commissioner, as well as other issues. Therefore, the corporate body would welcome the Finance Committee's views on the particular cost pressure on the ombudsman.

Michael McMahon: That seems clear.

Jean Urquhart (Highlands and Islands) (Ind): I want to tease out some more about the digital programme and its upgrade. You said that it would provide better facilities for members, but I hoped that it would lead to better access for the public, too. I presume that the programme is really about the Parliament beginning to open up digitally to other parts—those that are hard to reach—and giving people access. Is that right?

Liam McArthur: Absolutely. It is about recognising that the expectations on members and the way in which they carry out their responsibilities are changing. Different MSPs are in different places when it comes to that. Each of

us has our own idiosyncrasies in the way that we work, but I hope that we all have a personal commitment to being as open and accessible as possible; collectively, that has always been a fundamental principle of our Parliament.

One example might be looking at greater use of teleconferencing facilities and having witnesses give evidence by teleconference, where possible. As a former member of the Rural Affairs, Climate Change and Environment Committee, I know that we took evidence by videolink from MEPs who were based in Brussels or Strasbourg. Similarly, I have some constituents—as, perhaps, does Jean Urquhart—who would find it far more logistically feasible to give evidence by teleconference than by unnecessarily hiking down the A9 or flying down to Edinburgh.

We all recognise the changing demands on MSPs. For example, casework is coming through social media rather than by snail mail, or even email. We each work slightly differently and the public's expectations of how they access the Parliament will change.

An issue that is of key interest to the committee is something that we have been doing in order to make budget scrutiny more accessible, not just to MSPs but to the wider public. A tool that is now available on the Scottish Parliament website allows a pictorial explanation of budget lines and unpacks everything down to level 4. People can use the tool to enter different configurations of the new taxation responsibilities to see what the impact would be on revenue into a Scottish exchequer.

Given the expectations on more powers for the Parliament, particularly taxation powers, that is a sensible investment for us to make and we will probably have to develop it yet further. In a range of areas, we are very conscious that we cannot afford to be too far behind the curve. However, we also need to recognise that different MSPs operate in different ways and we need to ensure that we support them all equally throughout the process.

Paul Grice: I will give you a couple of specific examples to underline that point. One of the streams within the digital programme is the online approach. Our website remains by far the most significant window on the Parliament online and we are looking at whether we can improve that. Included in that is an open data project, which I think is critical to allowing the public to access information that is stored by the Parliament.

To give a very recent example—you may have picked this up in the media—we are significantly increasing our apprenticeship programme and we used a lot of social media to promote that programme to a large number of people. We had a

hugely successful event here in the Parliament last Friday, but it was promoted largely through the web and social media.

Those are specific examples of how we think the digital programme can benefit the public as well as members.

Jean Urquhart: Thank you. I was thinking in particular of people who might like to give evidence to committees but who live in Shetland or the Western Isles, for example—in some of the farthest-flung parts of Scotland. That merits working with other organisations that are equally digitally advanced. I presume that that is happening, whether it is through the health service, which is developing a lot of digital work, or the University of the Highlands and Islands, which has an extraordinary network, or the local councils. If we have partnerships with such organisations, people can have access.

Liam McArthur: That is a very fair point. There is no point in us developing a digital presence that then does not connect with what is happening in other parts of the public sector and in the third sector—and in the private sector, for that matter. I can recall instances in which setting up a videoconference was frustrated by the fact that the operating system in the Parliament was different from the operating system in one of the schools in Orkney.

We can claim all we like that we will be more accessible because we are investing in digital technology, but if that technology does not speak to the technology that is used by some of those who would potentially make the best use of such access, the investment would not seem to have gone any way towards achieving the objective. Continually talking to partners in the public, third and private sectors will be crucial.

Jean Urquhart: Thank you. I have a wee question about the shop. Being the only female member of the Finance Committee, I hate to ask about the shop, but it is really good to see that it has been turned around and is making a contribution. Am I be right in thinking that the £260,000 turnover reflects the number of attendees at the great tapestry of Scotland exhibition and the book sales and so on related to that? I think that we had the highest number of attendees at that exhibition—was that then reflected in the shop sales?

Liam McArthur: Thank you for asking about the shop, because the shop kept coming up when it was making a loss and the fact that it is now making a profit needs to be acknowledged. There is no doubt that some of the profit is to do with the footfall that has been generated by the great tapestry exhibition over the past couple of years. The Warhol exhibition also had a positive impact

on the number of people who were coming through the building.

The new location of the shop and some of the decisions that were taken about staffing and the product lines have all had a bearing on turning the shop around. The shop is never going to be a cash cow, but the projections are that it will continue to show a modest profit. That shows that we were right to be confident about the relocation and the product lines. We are committed to looking at further initiatives. The great tapestry exhibition was a rip-roaring success. We were able to plan for that success rather better this year than we were in the previous year, when it maybe caught us a little by surprise.

We are committed to looking at other ways in which we can encourage people to come into the Parliament who would otherwise not do so. For the great tapestry and Warhol exhibitions, we saw people coming into the Parliament for the first time. We always need to be conscious of the need to encourage that.

10:45

Jean Urquhart: Good. I am pleased to hear that. I have a suggestion. A large number of visitors to Scotland come to the Parliament and it occurs to me that there might be an opportunity for the shop to reflect some of the wonderful craft products and so on from different parts of Scotland, even for a period of time. For example, there could be three months for products from Orkney, three months for products from Arran, and so on. Is that something that you would consider doing?

Liam McArthur: It is certainly something that we have taken on board in the past. I declare an interest in that I successfully pressed the case quite vociferously on behalf of Sheila Fleet's jewellery not so long ago. There are other examples of that. Again, whatever we do must be balanced against having product lines that will shift. A lot of people, but particularly the school parties that regularly come to the Parliament, are looking for something that is a bit of a souvenir and—

Jean Urquhart: I am not being critical of the existing stock. I just thought that the stock might reflect some of the products of Scotland.

Liam McArthur: That is a fair point. We do try to do what you have suggested. I do not know whether Paul Grice has examples of particular initiatives. However, there is literally a shop window that we can use to show products to best effect. Even if it is not at a commercial level, it will raise awareness of other Scottish producers.

Paul Grice: Briefly, our ambition is just that. As Liam McArthur said, we must strike a balance at the end of the day, but our ambition is just as he said. A number of members contact the shop, and the staff are always happy to talk to members if they think that particular products from their region or constituency would reflect well on Scotland and would sell. I encourage any member to talk to the shop manager.

I can think of two or three suggestions of products that we followed through and which became feasible lines. Sometimes it was for a short run, which is what Jean Urquhart suggested, but sometimes they have become on-going stock. Any member who thinks that they have something like that in their constituency or region should just get in touch with the shop. I cannot promise that we will stock the products, but we will certainly talk to the member and explore the idea with them.

Jean Urquhart: Thank you.

The Convener: I am just looking at the shop figures. Jean should not feel bad, because the shop was one of the things I was going to round up with at the end of the meeting. I would say, though, that it is difficult not to make money when you are selling single malts at 36 quid a bottle. The number of those that we had to get signed for raffles and auctions over the few months in the run-up to the referendum must have punted the shop's sales. Anyway, it is Gavin Brown now.

Liam McArthur: Follow that, Gavin.

Gavin Brown (Lothian) (Con): The convener became particularly animated at the suggestion of product lines from Arran. He really perked up at that point.

There is not much left to ask Liam McArthur, but I have a question on the maintenance budget. The SPCB submission shows that there will be a small increase in that budget to just over £2.1 million for 2015-16. The submission states:

"The nature of this work is that there will be peaks and troughs over the years in line with the 25 year maintenance plan."

Realistically, are there "peaks and troughs" in maintenance or will there be just small increases year on year over the next few years?

Liam McArthur: Having a 25-year plan means that there is a bit of flexibility in when we carry out the work. We try to respond to what else is going on in the building and in the budget at the time. Obviously, the on-going checking and maintenance is a crucial part of identifying issues before they become problems that have to be dealt with reactively, which is inevitably costly. The building is iconic and it is heavily used, and the expectations about the standard to which it is kept are pretty high. Even against a backdrop of a tight

budget, we have tried to ensure that the maintenance spend has been consistently preserved.

There is a bit of an ebb and flow to the maintenance work, because bigger-ticket items come along that can be done one year or put off to the next year but will have to be done within a two or three-year window. That will result in the budget being higher one year than it was in the previous year or will be in the subsequent year. The 25-year plan aims to ensure that we do not get horrific spikes or rein back on the on-going maintenance of the fabric of the building, for which I do not think we would ultimately be thanked. Does Derek Croll want to add anything?

Derek Croll: We have seen bigger movements year on year in previous years in this area—the differential is quite small this year. Facilities management tries to smooth the pattern as much as it can.

Gavin Brown: My only other question comes back to Liam McArthur's answer to a question about the commissioners and ombudsman. The convener pointed out that, last year, you were hopeful that there might be scope to save costs on offices by moving offices together. Your answer today suggests that that is probably unlikely. As one commissioner is based in St Andrews and another has recently moved office—and, I presume, signed at least a medium-term lease—is it unlikely that cost savings will be made by moving offices together?

Liam McArthur: Yes. I think that we currently have a bit of co-location, as there is additional capacity in the Rosebery house facility that Scotland's Commissioner for Children and Young People has moved into. We have made it abundantly clear that there is an opportunity for others to utilise that space, which I assume would release a saving. We are now at a point where we do not see an immediate way of triggering other opportunities for co-location.

Gavin Brown: Thank you.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): You say that, since the baseline year of 2010-11, the staff pay budget has reduced by 9.2 per cent in real terms. To what extent is that due to a reduction in the number of staff? Has real-terms pay also been going down to an extent?

Liam McArthur: There has been a reduction in staffing of, I think, 64 full-time equivalents—about 12 per cent of the overall staffing. We have been able to do quite a bit by changing patterns of work and the like, which has enabled us to release some savings or work more efficiently through the clerking team, the Scottish Parliament information centre and security. Does Paul Grice want to comment on real-terms pay?

Paul Grice: Yes. It has been a combination of both those things. The permanent head count is down by around 60 posts, but there has also been pay restraint, which has broadly followed Scottish public sector pay, so there has been a real-terms reduction. A combination of the two has delivered the saving.

Malcolm Chisholm: I am concerned about staff pay, not least the pay of staff in the room. I am particularly concerned about those staff on low pay. Does everyone who works in the Parliament receive what is now called the living wage?

Liam McArthur: I am going straight from this committee to a meeting of the corporate body where, hopefully, we will be able to discuss and sign off a paper that will allow us to make an announcement in the not too distant future in relation to corporate body staff. Obviously, MSP staffing arrangements are a matter for individual MSPs. Given the publicity surrounding the issue, all the parties have made it fairly clear where they stand, but it is not a matter in which the corporate body can directly intervene.

We are confident that all the corporate body staff are paid above the living wage. Although we have not been able to put that as a provision in the contracts that we have signed for staff we contract in, we have had negotiations to ensure that everyone who is employed in the Parliament is paid above the living wage.

There are issues around pay differentials and the knock-on implications for contractor staff when they work in other locations. The discussions that we have had so far are constructive and we believe that we have made progress. However, I cannot make a public declaration on the issue before our discussion in the corporate body that is taking place later this morning. I hope that we will be able to say something on that in short order.

Paul Grice: Exactly.

Malcolm Chisholm: Are there any zero-hours contracts in the Parliament?

Liam McArthur: There are. In the events team, for example, where there are specific short-term arrangements for events, there may be some zero-hours contracts; that seems to suit the interests of both parties, given the nature of the work. I am confident that, across the piece, there is not an inappropriate use of zero-hours contracts for employing staff in the Parliament.

Malcolm Chisholm: I was pleased to hear about the spend to save on lighting in the chamber. Is it possible to do the same for the committee rooms? I am always worried about the amount of light that seems to be shining on us when we are in the committee rooms.

Liam McArthur: That is the purpose of committee meetings, is it not?

We are looking to introduce that project progressively, starting with the easiest and most obvious places. Replacing the lighting in the chamber is a complex proposition, but we believe that we are in a position to do it and release the resulting environmental and financial savings. Paul Grice may want to comment on the situation in the committee rooms.

Paul Grice: As part of the project, we are looking at the technological solutions. We are working on a solution for the chamber and, as members will know, we use very similar technology in the committee rooms. If it is successful in the chamber, I would expect the facilities management team to look at how we might roll it out to the committee rooms over time. We will get the technology established first in the chamber and, once we can say that it is successful there, we will know that we can deploy it elsewhere.

As Liam McArthur said, the committee rooms would be easier to deal with than the chamber, so if the chamber is successful, I would expect us to come forward with proposals over the coming years to resolve the committee rooms as well.

The Convener: The deputy convener has just whispered a point to me. Would it not be easier to start with a committee room and then, if it is successful there, move on to the chamber, rather than the other way round?

Paul Grice: Well—[*Laughter.*]

We are starting with the chamber because it by far the biggest consumer of electricity and is far more expensive. We do not need to erect the big scaffolds in the committee rooms. The potential benefits of the project in the chamber are much more substantial. That is why we are doing it that way round.

Liam McArthur: That was a very good question and one that I was beginning to ask myself.

The Convener: It was John Mason's question—he was too shy to ask it himself.

I have one or two questions to round things off. Malcolm Chisholm asked about staff salaries. On page 2 of your submission, under the heading "Approach to setting the budget", you talk about

"on-going pay restraint, below the level of inflation, for Members and staff".

We have already touched on that.

I was intrigued by the fact that you say that there is a 9.2 per cent reduction in real terms but there has been a 12 per cent reduction in staff numbers. That tells me that, per staff member,

there has been a real-terms increase of about 3 per cent. Clearly, a lot of members have not had any pay rise above inflation, so how do you explain the disparity? Is it because people have been promoted within the ranks?

11:00

Liam McArthur: There will definitely be progression, and, in terms of redeployment, roles will not necessarily equate across that period. I suspect that that will have had some bearing on things.

Paul Grice: Yes. There are two particular factors that explain that discrepancy. One is incremental rises. I strongly believe that incremental rises are part of the contract that we have with staff. I think that we should honour that, and we have done so. That continues, whereas the annual pay rise is the inflation-related one.

The other factor is that temporary or additional staff also come within the staff pay budget. For example, the apprentices I talked about earlier are supernumerary. The idea is that, once they have completed their apprenticeship, they will be able to compete for permanent jobs.

The Convener: Quite a lot of staff must have stopped getting incremental rises because they are at the top of their scale.

Paul Grice: That is the case. We are a relatively low-turnover organisation, so a significant number of staff are at the top of their scales. They will get only whatever the inflation pay rise is each year.

The Convener: I do not want to go into the 2016-17 figures too much, but they seem to show a significant increase in pay—around 3 per cent—relative to this year. I know that you still have to negotiate with the unions, but are you hoping that the settlement for that year will be a bit more generous to staff who are at the top of their scale and have not received any significant pay rise for a number of years?

Liam McArthur: I have seen evidence of Paul Grice's negotiation on the rates issue. Clearly, nothing is a foregone conclusion, but I think that we are anticipating a modest increase.

Paul Grice: I am reluctant to come before the committee and not give a helpful answer, but we are just about to begin negotiations and, if you do not mind, I think that I would prefer to say nothing on that.

The Convener: I am just hoping that there is light at the end of the tunnel for the staff.

Paul Grice: There is always light at the end of the tunnel, convener.

The Convener: Just as long as it is not a train coming in the other direction.

The figures for the Standards Commission for Scotland seem to have oscillated a wee bit in recent years. Can you tell us why they are going up by 5.1 per cent in the next year?

Liam McArthur: As I said earlier, some of the office-holders are in a demand-led situation. When the commission has come in to speak to us, we have been keen to discuss with it the work that it is doing to try to manage that demand down by raising awareness among councillors and public bodies about their responsibilities. However, at certain points in the political electoral cycle, we are still seeing spikes in the number of complaints that are raised.

There is an attempt to triage standards complaints so that they do not run on for an undue length of time and are dealt with in a more efficient and effective way. That is being done alongside the proactive work to raise understanding of what the code says and of the behaviour that is expected of public authorities.

We believe that we are seeing evidence of demand being managed down, to an extent, but we are conscious that, for reasons to do with politics and elections, there will still be periods when you see almost tit-for-tat complaints being raised. Even if you triage them, they still have to be dealt with.

The Convener: Yes, I notice that there is still an overall reduction of 16.5 per cent from the baseline figures on the part of the Standards Commission and a 17 per cent reduction on the part of all the office-holders. I just wondered why there was that wee increase, which seems anomalous, but that was a fairly good explanation.

That concludes our questions. I thank Derek Croll, Liam McArthur and Paul Grice for coming to the committee today. Would anyone like to raise any further points?

Liam McArthur: Apart from thanking you for your continued scrutiny of the work that we are doing, I would like to raise the issue of the pressures that the potential additional powers are likely to put on the Parliament's resources.

The Convener: You touched on that in your statement. I did not want to get into that because, clearly, until we know what they are, it will be difficult to be honest about it.

Liam McArthur: Exactly. We may return to the issue at the same time next year. However, in the interim, once the picture becomes clearer, given that the Finance Committee is one of the committees that will likely experience additional pressure on their capacity and resources, the SPCB will value your input on the question of how

we manage that. There is no doubt that those additional pressures will present additional challenges to us in managing the budget. Perhaps we could sit down with the committee in the middle part of next year to discuss those issues.

The Convener: Thank you very much. I appreciate that offer.

We will have a five-minute suspension to allow for a change of witnesses.

11:06

Meeting suspended.

11:11

On resuming—

Devolved Taxes Implementation

The Convener: I reconvene the meeting, folks, but first of all I give apologies on behalf of Michael McMahon. As convener of the Welfare Reform Committee, he has had to go downstairs to meet a group of people with mental health issues who are coming to his committee next week, and show them the committee room. He will probably join us again in 15 or 20 minutes.

Agenda item 2 is an evidence-taking session on devolved taxes implementation with Eleanor Emberson, who is the head of Revenue Scotland at the Scottish Government; John King, who is the director of registration at Registers of Scotland; and John Kenny, who is the head of national operations at the Scottish Environment Protection Agency. As members have received copies of the most recent progress update from our witnesses, we will go straight to questions. The witnesses are all veterans of the committee, so they know the drill, so to speak.

I will start off with a question for Eleanor Emberson. In your update report, you say that the most recent estimate for the total cost of the set-up and first five years of operation is £21.2 million, but that figure excludes an estimated £730,000 for the costs of the Scottish tax tribunal, which were included in the financial memorandum to the Revenue Scotland and Tax Powers Bill and Revenue Scotland's previous progress report. Why have those costs been excluded as a quite separate issue, given that they were not excluded before, and why has there been a quite significant 9 per cent increase in the costs of establishing and running the system for the devolved taxes?

Eleanor Emberson (Scottish Government): The costs of the tax tribunal were properly included in the Revenue Scotland and Tax Powers Bill's financial memorandum because they were relevant to that legislation, but I have excluded them this time round because of the comparison with the £22.3 million estimate that was made by Her Majesty's Revenue and Customs. HMRC's figure would never have covered the costs of the tax tribunal, whatever had been done about it, but in hindsight we could probably have made that clearer at the time of the financial memorandum. They are not costs that HMRC would have borne, and they are not costs that Revenue Scotland bears. They are costs that are associated with running the taxes, which is why they were properly part of the bill's financial memorandum, but they are not among the costs that we like to add up and compare with the original HMRC estimate of £22.3 million.

As for the increase in costs, I can answer more questions about the detail, but as I have broadly explained in my update report, the increase is almost exclusively due to additional staff costs associated with implementation. Those staff fall into three broad groups. First, there are programme and project management staff, which we bolstered in response to gateway review recommendations and, indeed, to our own need to manage the programme and project very tightly through the past nine or 10 months of implementation work.

Secondly, we have additional business analysts working between the process design and our IT contractor. As you know, there have been problems with past Government IT projects. Things can overrun or might not deliver as required, so we have put in additional business analysts to ensure that as we go through every iteration of the IT system, we are completely on top of things, are managing the project very tightly and are ensuring that it delivers what it needs to deliver and stays within budget.

Thirdly, I have put in additional staff to make quite sure that we deliver all the different aspects of set-up in time for April. In short, the increase is to do with set-up costs associated with staff.

11:15

The Convener: As you have said in your update,

“increased investment in staff costs for implementation”

Is “now falling in 2015-16”, and you have made it clear that most of the additional costs are associated with staff. However, your report does not contain a breakdown of that.

You talked about managing things “very tightly”, but there seems to be quite a divergence in the number of staff that will be required. The report says that the anticipated number of staff is 41 in the first year of live operation, whereas the bill’s financial memorandum estimated 30 staff. You have said that the staff are for

“additional capacity in the critical early months”

but, again, no detailed estimates have been provided.

Eleanor Emberson: If it would help the committee, I could send you a staffing structure that shows who the 41 staff are and what they will be doing.

The Convener: Yes.

Eleanor Emberson: I am very happy to send that in, if you will find it useful.

The bill’s financial memorandum mentions 30 staff, but we have made additional investment in

compliance, which will require three staff members. We are probably talking about a difference of eight posts between what we said in the financial memorandum and what we are saying now, and that is our best estimate of what we need to ensure that we can do this safely and reliably and that we can deliver the service and get the money in the door.

The Convener: How likely is it that the figures will change again in the months ahead?

Eleanor Emberson: I do not expect to recruit beyond 41 staff members. We have a plan for staffing up with 41; 12 of those people have already been identified, another nine are being interviewed in the next two weeks and a further tranche will come behind that. That is what we are going to go live with. I cannot speak for what changes might be made in future years, particularly once we have a board and some experience of live running, but that is the structure that we will be working with for the foreseeable future.

The Convener: Is your structure flexible enough to deal with any additional powers that might be devolved to Scotland?

Eleanor Emberson: We recognise that we might need to respond to that. Of course, the response would depend entirely on what the additional powers might be. If they involve further small or transaction based taxes, we will have a good platform to build on, but I expect that if any significant extra power were to be devolved we would need more staff and more implementation work. That is just the nature of what we do.

The Convener: Okay.

The financial memorandum to the bill states:

“The intention is for Revenue Scotland to delegate operational responsibility for the collection of Scottish Landfill Tax to SEPA”,

but in its latest progress report SEPA says that it has been agreed that it

“will not collect tax data or process any SLFT ... transactions on behalf of Revenue Scotland.”

Why has the approach to the Scottish landfill tax been changed?

Eleanor Emberson: I will respond first and then invite John Kenny to come in.

When we last came before the committee, we explained the IT system change. I will have to go a long way back in the development, but the financial memorandum for the Revenue Scotland and Tax Powers Bill included new additional investment in an IT system for Revenue Scotland. That was based on the detailed work that we had done on the business analysis and the IT requirements, which highlighted that a more

efficient and robust way of delivering the online system for collection of landfill tax and land and buildings transaction tax would be to develop a system at Revenue Scotland that was integrated appropriately with systems at SEPA and Registers of Scotland, rather than have separate systems at SEPA and ROS with nothing in the middle. That means that SEPA will not have a particularly significant up-front collection role, because people will make their returns, which will be processed by Revenue Scotland. We will handle all the payments and we will store the taxpayer data.

However, SEPA will have a very significant role in two areas, the biggest of which will be compliance, which will involve ensuring that taxpayers are paying the correct amount of tax, tackling the illegal dumping problem and trying to recover tax from people who have been dumping illegally. The other role that SEPA will have is in information. SEPA has staff who go out to landfill sites who are bound to be asked questions about tax, among other things, so they will be able to help us to spread the word. They are already helping us to work with landfill operators to make sure that the process goes as smoothly as it can. John Kenny might like to add to that.

John Kenny (Scottish Environment Protection Agency): There was recognition that the IT system change would result in more efficient delivery across the taxes involved, and that it would be better for Revenue Scotland to be the holder of those sensitive data in their entirety. That is the reason for the change.

The Convener: It is just that the revised set of running costs has not been included in the figures that have been provided to the committee. Those figures have been agreed with Revenue Scotland, but we have not received them.

John Kenny: I can tell you what the revised costs are. The set-up costs have been reduced by £250,000 on the back of that IT change.

The Convener: What about the running costs?

John Kenny: The main cost was setting up the information system. The running costs have come down a little from about £610,000 to just under £600,000.

The Convener: Thank you.

Registers of Scotland finances itself from the income that it receives for the services that it provides. The costs that it incurs in relation to LBTT will be met by the Government. The RSTP bill financial memorandum estimated that ROS would face set-up costs of £335,000 and running costs over the first five years of £1.625 million. Have those estimates changed?

John King (Registers of Scotland): We have been reviewing our estimates every month. We

still envisage that the set-up costs will be in the region of £335,000; they will certainly be no more than that. Within that figure, there has been some reallocation of individual components. For example, the IT costs have come down from £85,000 to £70,000.

Our spend to date is in the region of £176,000. We anticipate that by the time we get to the end of March, which is when we go live, our spend will be between £300,000 and a maximum of £335,000. In the next four to six weeks, we will have a very high degree of certainty about what that end spend will be. It will depend on our refining what we will deliver, particularly on the IT side, along with Revenue Scotland's IT provider.

The Convener: I have two questions for Eleanor Emberson. In your submission, you say that the tax gap for LBTT could be around £4.5 million a year. You also say that you plan to make an additional investment in tax compliance of £230,000, which you say will be

"aimed at reducing the expected tax gap."

What is the current gap for stamp duty land tax? By how much do you expect to reduce the tax gap with the investment of £230,000?

Eleanor Emberson: I apologise because I do not have the figures for the SDLT gap in front of me. We looked into that when we did the financial memorandum for the Revenue Scotland and Tax Powers Bill. I do not have the figure in my head. We took the SDLT estimate and reduced it somewhat as an estimate for LBTT because we recognised that the legislation that Parliament had passed for LBTT already attempted to close loopholes and routes for avoidance.

We have not attempted to estimate by how much we can close the gap. There was a £230,000 estimate for additional investment in compliance work. My latest estimate for that is actually £259,000, which consists of £165,000 for three staff at Revenue Scotland and £94,000 for staff at SEPA, so it is across the two taxes.

The three staff at Revenue Scotland will be focused mostly on land and buildings transaction tax. Our aim is that those staff will pay for themselves several times over. We will monitor over time how much we bring in through the additional compliance activity. That will allow the committee to understand something about how successful we are.

We simply do not have detailed information about the tax gap. We do not have a track record with the brand-new tax on which we could make a robust estimate of how much we expect to close the tax gap. Therefore, we have said that we understand what it will cost us and will monitor

closely what comes in. We will report that to the committee as we go along.

The Convener: Okay. I understand that the stamp duty land tax is £9 million at present.

Eleanor Emberson: Sorry?

The Convener: The gap is £9 million.

Eleanor Emberson: Do you mean in Scotland?

The Convener: Yes—in Scotland. Therefore, if your update says that the gap will be £4.5 million, you estimate that the introduction of LBTT will reduce the gap by some 50 per cent.

Eleanor Emberson: I have to say that that is an estimate.

The Convener: Of course. We appreciate that.

Eleanor Emberson: We really do not know. I am concerned not to mislead the committee by trying to give you figures about what we might bring in that look accurate and confident, because until we collect the tax we do not know how successful we will be.

The Convener: That is something that the committee will consider as we go forward.

I have one or two more questions, but I might leave them until the end and see whether my colleagues cover them.

Gavin Brown: Good morning. As with many reports that are given to the committee and on which witnesses then appear before us, there is a slight time gap: your reports are all from October. Given the tight timescale that we now have, has anything material changed for any of your organisations since you submitted the reports in October?

Eleanor Emberson: There has been a lot of progress but there is nothing negative that I need to report. We are still on track on all the areas and quite a number of things have happened since early October. We now have draft technical guidance out for consultation, our website is live and we have seen further demonstrations of IT, so a lot of progress has been made since then.

John King: I echo that. The committee has previously asked about the division of roles and responsibilities between ROS and Revenue Scotland. At ROS, we are now clear what our role is, which is helping us to refine the detail of our operational activity post 1 April.

Gavin Brown: When you appeared before the committee previously, alongside a written report you submitted what might be called a dashboard that used a system of green, amber and red lights, which is a project management tool. Lots of things were green and there was the occasional amber—I do not think that you had many reds. In any of

your organisations, does any part of the project have an amber or red light at this stage that ought to be flagged up? Is there anything that could hold progress back for any of your organisations between now and the start of April?

11:30

Eleanor Emberson: The answer has to be yes—of course things could happen between now and April that would hold us back. We are using the green-amber-red system. We have been working to readiness criteria, which is a series of descriptions of where we need to be, and we mark green, amber or red against every single one of those. We report that weekly. We have had small numbers of amber indicators out of two dozen or so criteria and we have been working hard to turn some of them back to green.

We are doing an assessment this week so that we will know, when we do another full assessment at the end of January, where we were on readiness at the end of November. We are still on track. Amber indicates that something is not exactly as per our plan, but we have a way of bringing it back. If we thought that we did not have a way of bringing it back, it would be red, and at that point, the warning lights would go on and we would intervene. We have nothing at red.

Gavin Brown: So, across the three organisations, things could go wrong and things could happen, but for each of your organisations, there is nothing at red that is likely to hold things back.

John King: We are clear about what Registers of Scotland has to deliver; all aspects of that are standing at green. The main IT component that we have to deliver is already in place. The remaining IT is more behind the scenes and we are aware of what has to be delivered there. ROS is confident that we have everything in place that will support effective delivery.

John Kenny: SEPA's answer is similar to Eleanor Emberson's. Across the board, a number of individual parts of the projects are at amber, which means that we expect to deliver them but there are challenges. The majority of them are green.

Gavin Brown: Without being involved in the projects, the ones that strike an outsider like me as being the riskiest, as with many projects, are the IT systems. If the IT systems function, we can probably get over most hurdles. If they do not, there is an immediate issue.

I got the impression from John King that the IT system is almost complete. Could each of you assure the committee that the IT system is being tested robustly and that there is a contingency

plan in case something goes wrong on day 1, which would not get us off to a great start?

John King: I will clarify what I said about the IT system. I was referring to one component that ROS had agreed to deliver because we were building it for our own IT system. It is an authentication server that is a way of validating users to a system. We are sharing that with Revenue Scotland. The system has already been delivered and tested, and it is available for Revenue Scotland's IT team to use.

It might be more appropriate for Eleanor Emberson to comment on more general IT.

Eleanor Emberson: I can give the committee an absolute assurance that everything is being thoroughly tested. There are various components to the full system; I am not a technical expert, so I will just describe them in plain language, although there are proper technical descriptions.

There is an electronic form that captures all the data; it is not static, but it responds to the user. For example, if you tick certain boxes, it does not ask certain questions. There is a case-management system, which is what Revenue Scotland uses for individual tax cases. It is used for stages when there is a return or a payment but can be used if there is a dispute or inquiry. There is a set of links and something that looks out to solicitors for LBTT and landfill operators for landfill tax so that someone who is not within Revenue Scotland or SEPA can interact with the system. We intend to deliver all that—tested—by the end of January.

It is our intention to do in February and March what I, as a layperson, would describe as snagging: making absolutely sure that there are no little glitches.

The electronic form part is starting its testing imminently, and the case-management system and so on will follow behind, all through December. The outward-facing part will be tested in January. Most of the work for all of that is already done, and we are now stitching everything together.

A further thing that must happen at the end is full security testing and full security accreditation, to make absolutely sure that taxpayer data will be secure, and that nobody could do anything bad with any of our systems.

We are on track to deliver all of that, but Gavin Brown is absolutely right: of course we need a contingency plan in case any element fails when we get to testing, or if we do not get security accreditation. Our contingency plan is based on paper returns, because we will continue to offer paper returns as an option. Solicitors were not all keen to move fully online. We might, in time, wish to move fully online.

However, it would have been too big an ask to tell people that we were going to compel them to use an IT system that they had never seen, which I cannot prove works and which I cannot prove will be robust and good. We have agreed to offer a paper return, initially. For our contingency plan, we would, if we had to, do fully paper returns. We have prioritised the order in which we have built the IT system in order to ensure that, if we have to do the paper returns, we will have all the behind-the-scenes parts of the system for processing them. We are as robust as we can be. We have mapped out the staffing requirement for doing the paper return and so on.

Gavin Brown: That was helpful—thank you.

The convener asked about staff numbers. He spoke about having 30 staff under the initial bill; I think that the current complement is 41. One of the reasons that was given in your report was that you wanted to have an extra complement for year 1, potentially, to ensure that the operation would be a success. Based on current plans, is that total of 41 simply for year 1? Might that number reduce over time? I suppose that it depends on what other responsibilities come your way. Is 41 likely to be more of a medium-term figure?

Eleanor Emberson: It is probably more medium term. Judging from the run of estimates that I have in front of me, the number would probably come down by only a couple of posts or so in 2016-17. We would then do what we needed to do from that point on. We would have proper experience by then, of course, of how well things were working in operation. I have assumed that we would drop the figures that I have used in order to develop the estimate by only a couple of posts in 2016-17 and beyond.

Gavin Brown: My next question might be more for ministers, but you might be able to answer it. As far as Revenue Scotland is concerned, are we on track with all the subordinate legislation for the two devolved taxes?

Eleanor Emberson: My understanding is that the subordinate legislation will all appear in December. If that happens, that is fine from Revenue Scotland's point of view.

John Mason: I am still a little bit confused about the total costs—perhaps that is my failing—so I wonder whether you could clarify the matter. In the spring 2014 report, which I think was published in March, reference was again made to the £16.7 million quote from Revenue Scotland, compared with HMRC's figure of £22.3 million. Revenue Scotland's figure was 25 per cent less. A statement was made at the time:

"Our estimated costs for the basic collection of the taxes have not changed – they remain at £16.7m."

The figure in the current report is £21.2 million. The report says on page 3:

“This total cost continues to compare favourably with the original estimate of £22.3m”.

That figure of £21.2 million is obviously an increase over the £16.7 million. If we had gone with HMRC’s figure of £22.3 million, would we have had the same increase? I have not worked it out, but it would be about £4 million extra. Is all of that extra costs, or is any of it simply an increase in the £16.7 million base figure?

Eleanor Emberson: The £1.7 million that I highlighted for the committee is effectively an overspend against the estimates in the March report. If we were trying to apportion it, about £1.46 million would be an overspend against the £16.7 million and the rest would be a slight overspend against the so-called additional costs. It is very difficult to know what HMRC’s estimate would be if you asked it now.

HMRC did an estimate way back in the summer of 2012, on the basis of the taxes being identical to the UK equivalents. If HMRC had been doing the development, it would also have had to respond to the fact that there are now differences between the Scottish and UK taxes. I have no idea what HMRC would quote at this point, but there is a good chance that its costs would also have gone up in response to the different design. I can only speculate, because we cannot know.

John Mason: I accept that. As far as you are concerned, you and HMRC quoted on the same basis—as far as we are all aware.

Eleanor Emberson: Yes.

John Mason: Are you saying that it is not that you did not quote correctly, but that as things have been developed, extra costs have come in and, as far as we know, they would probably have come in on the HMRC side, too?

Eleanor Emberson: As far as we can tell. The bulk of the additional cost is to do with ensuring that the systems match the design of the Scottish taxes. An element in this is that my estimates have not turned out to be completely accurate. I am being honest about that. We have had to put in additional resource to deliver. However, the bulk of the difference between £16.7 million and £21.2 million is to do with ensuring that the design of the systems matches the aspiration for Scotland.

John Mason: I appreciate your straightforward answer, which certainly helps me to understand the situation. In the same area, it seems a little odd that we start a new tax and then immediately there is a tax gap. That would make some people think that Revenue Scotland was not doing its job properly, because surely there should not be a tax gap.

Eleanor Emberson: I would love to be in a world in which we legislate, people are required to pay and all that Revenue Scotland has to do is to provide the system for the money to flow in the door, but that is not the world that any of us expects to live in. Although the Parliament has tightened the legislation in relation to land and buildings transaction tax, and has given further powers, there will be an amount of testing, settling down and exploration of any grey areas and room to manoeuvre. We do not have a robust estimate of the tax gap; the £4.5 million quoted is the best that we could do.

John Mason: I will not press you on that. I totally accept that that is uncertain.

Eleanor Emberson: It is not in the nature of tax that we simply put it out there, everybody pays it and there is nothing more to do.

John Mason: I accept that and obviously HMRC accepts that, because it clearly identifies the issue—not just on this tax, but on all taxes—and tries to eat into it.

Did you want to say something, Mr Kenny?

John Kenny: Yes. I was going to mention the illegal waste sites for landfill that were not previously subject to tax under the UK landfill tax scheme. Those sites are illegal and therefore, by definition, we might not know where they are. We have come across individual sites that would have had a seven-figure tax liability. We know that it is there, and there is a gap, but it is difficult to quantify because the sites are illegal.

John Mason: Although we found them under the past regime—they turned up every so often.

John Kenny: They turned up and we are confident that, with the resources that we have been given, we will be in a better position to identify them and bring them into the tax system. However, the result is very hard to quantify. We can say only that they are there and potentially large scale. The beauty of the new tax and system is that we can go after that tax, whereas we could not do that under the UK system.

11:45

John Mason: Presumably, with any tax gap, you spend a bit more and you get quite a lot more tax in, or you spend a bit less and you do not get so much tax in. There is a balance there. How do you find the right balance?

Eleanor Emberson: You will judge us on our track record. Part of the reporting that we expect to have to do to the Parliament and the public is on how much money flowed in through the normal process of people doing their returns and making their payments, and how much money was

perhaps collected as a result of further investigations by SEPA or Revenue Scotland on either of the taxes. That is probably the best measure of our effectiveness. You will understand how much we are spending on compliance and see how successful we are being.

I have to manage your expectations, in that you might not see that in the first six months because these things build up. We start the process of inquiry and then we start taking action against people. For the first two or three years of the operation of the taxes, you will start to see how successful we are being in bringing in that money. I imagine that that is one of the things that you will want to explore with us regularly.

John Mason: I think that the figure for compliance was £230,000. Will you be able to identify how much tax you think that that has produced?

John Kenny: Over time.

Eleanor Emberson: Over time, yes.

John Mason: That is fair enough.

The ROS submission talks about Registers of Scotland's roles and responsibilities. They are quite clear, but I am not sure that I understand the fourth one. It says:

"We will have a role to play in the event that system contingency has to be invoked. The detail of this is being worked upon."

What does that mean?

John King: That one focuses around the front end of the tax collection system, so it is about what people would do in the event that there is a problem with the system and taxpayers are not able to submit returns online. We have been in discussion with Eleanor Emberson and her colleagues about the role that Registers of Scotland would have to play in simplifying the process for the taxpayer.

Eleanor Emberson mentioned that paper returns will still be an option, in general. Paper returns will be sent into Registers of Scotland, and we expect that they will come in along with paper applications for registration of the property transaction. They might come in in the one envelope. In the event of contingency, we are looking to extend that. If customers are used to sending paper returns to ROS, in a contingency situation they will continue to send a much greater volume of paper returns to ROS.

John Mason: That is helpful. The word "contingency" is used in different ways by different people.

The Convener: You say that you will be able, over time, to measure the impact of the £230,000

in reducing the tax gap, but we do not even really know what the gap is. You are only guessing that it is £4.5 million. It might be £3 million or £6 million. What about the impact of the general anti-avoidance rules? Surely they should reduce the tax gap substantially, if not virtually eliminate it. Issues such as sub-sale relief, which was covered by the bill, have been more or less eliminated. I am still trying to see where the tax gap could appear from.

Eleanor Emberson: I do not find the term "tax gap" that helpful.

The Convener: I know, but it was in your report.

Eleanor Emberson: I know, I know. It is my own fault.

The general anti-avoidance rule allows Revenue Scotland to take action to get the money in. However, sitting there of itself without any Revenue Scotland or SEPA staff taking action against a taxpayer, the general anti-avoidance rule will not achieve anything. The additional staff that I want to bring in will use the powers that the Parliament has given them to go after the money.

It is not a tax gap in the sense that you have legislated to leave a gap; it is a gap in that you have legislated, but we expect that people's behaviour will mean that not 100 per cent of everything that should come in will come in. We will have to use the powers that the Parliament has given us to take action to take in the money that would otherwise not come in.

The Convener: That is interesting. Basically, you are saying that you are going to spend an extra £230,000 to reduce that gap because there is no point in having the rules if you do not have the people to enforce them. When the original staff costings were done, surely consideration must have been given to the possibility of compliance being part of the staffing structure—there would have to be a compliance section. It is not just that we have the rules so we need to bring in staff to ensure compliance; I would have thought that those staff would have been part of the structure from the off.

Eleanor Emberson: Indeed; that is the case. There are other staff who will be doing compliance work. There is a staffing structure, and there will be people who will do compliance work.

The £230,000 was to allow us to have a conversation with the Parliament about the net tax collected. Let us take out of the equation the three additional posts in Revenue Scotland. Of course we would collect tax with 38 staff, and of course they would undertake some compliance work.

As the legislation was developed and as the bill was introduced with the general anti-avoidance rule, we thought that we could take more action. I

have therefore earmarked additional posts to take further action on compliance. We will track that, because we know that it is of interest, and we will be able to explain what has been achieved with those additional posts.

In effect, the aim is to allow the Parliament a choice. In future, you might scrutinise the measures and say that we have not demonstrated that having those extra posts was worth while, and we would return to a structure with basic compliance only. Alternatively, we might decide that the measures have been successful, and that it might be worth ramping up the effort. There are choices to be made.

The Convener: Given that we do not really know whether the tax gap exists or what it is—whether it is £4.5 million or whatever—I find it difficult to see how you will be able to measure the impact of the additional compliance officers in reducing it. Next year you might say that the gap is £3 million, so those three people will have reduced it by £1.5 million—but they might not have done, because there might not have been a £4.5 million gap to start off with.

Eleanor Emberson: I will not measure it in that way. I will tell you what they have brought in, not whether they have reduced a gap that I cannot estimate by an amount.

We will not be able to tell you that we now know that the tax gap is some precise number and that it has reduced by some precise number. We will be able to tell you that the actions of the additional compliance officers have brought in a certain amount of additional tax revenue—or that they are on track to do so, if we are considering the very early stages.

That is why, with hindsight, the term “tax gap” might not have been the best way to cast the notion but the term is in common usage. We should probably have related it back to actions to ensure that all tax is paid, so that you would see an increase in tax take as a result of the work that the people would do. I do not know whether that helps.

The Convener: Not really.

Malcolm Chisholm: I want to ask about staffing more generally. In the section of your submission that is headed “Revenue Scotland Staffing”, you state that there are now

“two divisions ... with around 40 staff”.

You go on to say that you

“have agreed the anticipated future staffing structure ... and are currently completing the detailed planning and preparation for the recruitment of 41 staff”.

I am a bit confused. What will the total number be at the end of that recruitment phase? You can

see my point. Are they different people? Will one group of people do something else once the other people have come in?

Eleanor Emberson: Most of them, yes. We have a team of 40, who are doing the set-up work. We have designed a staffing structure for go live with 41 posts. A small number of people—currently it is four, or possibly five—will move from the set-up team into operational posts eventually. The others who are involved in the set-up will leave as their work comes to an end. Meanwhile, we will be building up the operational team of 41.

At the peak, which will probably be around February or March, we will have a lot more than 41, because we will have people who are still finishing set-up work and we will have people coming in ready to do the operational work. Then, one team will dwindle to zero and the other team will build up.

Malcolm Chisholm: Will those people come from other parts of the civil service, or will there be open advertisements?

Eleanor Emberson: We are looking only within the civil service, but potentially we will look beyond the Scottish Government, because we want some people with tax experience.

Malcolm Chisholm: Will those numbers increase when it comes to 2016 and the full Scotland Act 2012 provisions kick in?

Eleanor Emberson: We do not anticipate any further increase based on the 2012 act, because the Scottish rate of income tax will not impact on Revenue Scotland. If there are any further powers to come, there will be further set-up work to do and that will have an impact on the operational staffing structure. There is nothing on the existing plan.

Malcolm Chisholm: In general terms, your table shows the budgets declining significantly between 2014-15 and 2015-16. Is that right?

Eleanor Emberson: Yes. I have around £600,000-worth of set-up costs for Revenue Scotland and a bit more than that, in terms of IT set-up costs, running into 2015-16. However, on the current plan that drops away, assuming that there are no further taxes to set up.

Malcolm Chisholm: Is there a figure for funding allocated to SEPA or Registers of Scotland?

Eleanor Emberson: Yes. Do you mean in terms of set-up costs?

Malcolm Chisholm: I am talking about the 2015-16 costs.

Eleanor Emberson: The 2015-16 costs are projected to be fairly steady.

John Kenny: The costs for SEPA are £595,000 to £600,000.

Malcolm Chisholm: What are the costs for Registers of Scotland?

John King: We are predicting a running cost in the region of £325,000.

Malcolm Chisholm: Okay.

The Convener: The allocation for 2015-16 has been reduced from £40 million to £25.7 million. That is explained in part by the transfer of £4.3 million to a new budget line for Revenue Scotland. Can you explain what that budget line is?

Eleanor Emberson: That is Revenue Scotland's budget, and the budget to pay for Registers of Scotland and SEPA costs in operating the taxes in 2015-16. Until now, we have operated with those costs being paid from within the Scotland Act 2012 implementation budget, but from April there will be an independent body, so it needs its own budget line. That is why there is a transfer out.

The Convener: That is fine. We appear to have exhausted all the questions. Thank you very much.

Meeting closed at 11:57.

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e-format first available
ISBN 978-1-78534-394-0

Revised e-format available
ISBN 978-1-78534-407-7