

CHILD POVERTY (SCOTLAND) BILL

[AS AMENDED AT STAGE 2]

SUPPLEMENTARY FINANCIAL MEMORANDUM

INTRODUCTION

1. As required under Rule 9.7.8B of the Parliament's Standing Orders, this Supplementary Financial Memorandum is published to accompany the Child Poverty (Scotland) Bill (introduced in the Scottish Parliament on 9 February 2017) as amended at Stage 2.
2. The Memorandum has been prepared by the Scottish Government. It does not form part of the Bill and has not been endorsed by the Parliament. It should be read in conjunction with the original Financial Memorandum published to accompany the Bill as introduced.
3. The purpose of this Supplementary Financial Memorandum is to set out the expected costs associated with the new and amended provisions included in the Bill following Stage 2 amendments. Aside from establishing a Poverty and Inequality Commission, the amendments do not significantly or materially affect the assumptions in the original Financial Memorandum.
4. A number of amendments were made to the Bill at Stage 2 which the Scottish Government does not consider to be cost-bearing. A set of interim targets was added, but given that annual progress reports would already include statistics on each of the measures, there will be no additional cost to reporting on these. There are strengthened requirements around delivery plans (issues that Ministers must consider and include in Delivery Plans, and a set of consultation requirements). Staff time and associated resource was allocated to the development and production of delivery plans in the Financial Memorandum that accompanied the Bill as introduced. It was always intended that the Delivery Plans would be extensive, cross-Government pieces of work, and that appropriate consultation would take place. It is therefore not anticipated that any additional financial resource is required as a result of these requirements being explicitly set out in the Bill. Similarly, it is expected that the resource allocated in the original Financial Memorandum to local authorities and health boards for the preparation of local child poverty action reports will be sufficient to allow for the new requirement added at Stage 2 for those reports to contain information about future activity.
5. The focus of this Supplementary Financial Memorandum is therefore the set-up and running costs associated with establishing a Poverty and Inequality Commission.

COSTS ON THE SCOTTISH ADMINISTRATION FROM ESTABLISHING A POVERTY AND INEQUALITY COMMISSION

6. The Bill was amended at Stage 2 to include a requirement to establish a Poverty and Inequality Commission. The amendments set out that the Commission should have the following characteristics:

- A member to chair the Commission, and at least two and not more than four other members; each member will be appointed for up to five years.
- The ability to set up committees.
- Members of the Commission, and any members of committees established by the Commission are entitled to such remuneration and expenses as the Scottish Ministers may determine.
- Staff and other resources provided by Ministers as required to carry out the function of the Commission.
- The Commission will provide advice to Ministers on measures they propose to include in the delivery plan.
- The Commission will be consulted by Ministers when preparing annual reports on the following measures; 1) progress made during the year towards meeting the child poverty targets, 2) whether it appears that progress is sufficient, 3) whether further progress is required to meet the targets.
- In addition to these functions the Commission may undertake other functions and prepare and publish reports as it considers appropriate in order to ensure the child poverty targets are met.

7. As can be seen from the list above, it is not straightforward to estimate costs to set up and run this Commission, because the parameters set by the Bill are wide. In part, costs will be determined by decisions taken by Ministers in the first instance. So, Ministers could decide to set up a minimal Commission of unremunerated members with limited secretariat support; or a body with a remunerated board of members with a substantial secretariat. The Commission as set out in the Bill will be more than just a reactive body with a scrutiny role. The provisions make clear that it is to provide advice on measures to be included in the delivery plans, and comments or recommendations towards meeting the child poverty targets in the context of annual reports. This, coupled with the ability to undertake any other functions it considers appropriate in connection with meeting the targets, and the ability to set up an unspecified number of committees as part of the Commission, makes a narrow estimate unrealistic.

8. With this in mind, lower and higher estimated costs have been provided at the end of this memorandum. The Scottish Government has taken a pragmatic overall approach, giving a range of costs within what the Scottish Government considers to be the reasonable limits of what the Commission could be expected to do given the provisions set out in the Bill.

9. The higher ends of the estimate are based on the running costs of other Commissions that the Scottish Government considers to be appropriate comparators. The comparator Commissions are chosen on the basis of their subject matter, remit and profile. In particular, the Scottish Fiscal Commission is identified as an appropriate comparator due to the similarities between the provisions in this Bill and the Scottish Fiscal Commission Act 2016.

10. The lower ends of the estimate are broadly based on the operating model set out in the Scottish Government's position paper on a Poverty and Inequality Commission, which was sent to the Social Security Committee on Monday 19 June 2017.¹ They are based on the Chair and

¹ http://www.parliament.scot/S5_Social_Security/General%20Documents/20170619_Cab_Sec_CSSE_to_Convener.pdf

four members fulfilling the roles in a part time capacity with minimum administrative support and budgets to cover research etc. Given the time taken to set up a statutory body, the earliest any costs could be incurred under the Bill would be from 2018/19, with costs being due for the 14 years until 2031/32.

Set-up costs

11. Initial set-up costs owing to the recruitment of staff etc. will be met within the running costs for that year, dependent on when the Commission is established and how staff are recruited. In order to minimise costs and reduce additional staff training, it is possible that staff may be seconded from within the Scottish Government. This would alleviate the cost of a project team from the Scottish Government which would otherwise be required. If secondment is not possible or desirable, costs to support with set-up from a Scottish Government project team would need to be factored in - the Financial Memorandum for the Land Reform (Scotland) Bill provided for a four month project team costed at £140,000 plus £14,000 expenses. The project team would support with the set-up and running of the Commission whilst staff were recruited and trained.

12. A basic website for the Commission is estimated to cost a minimum of £10,000 for registration and design. For a highly bespoke website, maximum estimates would be placed at £100,000, however consideration would need to be given to the increased maintenance and on-going design costs.

13. If the Commission was to utilise Scottish Government IT provisions, which would include IT hardware, networking facilities etc., this would cost approximately £2,000 for each new user, third party services would likely incur a greater cost; given the five members and secretariat support outlined this would give an indicative cost of £18,000 (exclusive of VAT).

Running costs

Premises

14. The Scottish Government is mindful of the need to minimise running costs as much as possible, and therefore it is the intention that the Commission will be accommodated within the existing Scottish Government estate, and there will be no direct cost associated with doing so.

15. However, in the event that the Commission takes the decision to relocate, accommodation costs have been estimated at commercial rates in line with provisions set out in the Scottish Fiscal Commission Bill. Total annual accommodation costs are estimated to be £125,000, which includes rent, rates and utilities. These estimates are prepared on the basis that the statutory Commission is required to meet accommodation costs from the point at which staff are appointed in 2018-19. These costs do not include any payments that may be required to locate and secure the accommodation, for example advance rental and any associated legal advice.

Staff and salary costs

16. Whilst it would be for the Chair, when appointed, to make decisions about the staffing levels appropriate, the Scottish Government anticipates that approximately four full time

equivalent staff will be required to service a Commission of the size set out here. The staff will cover a range of functions, including policy support, research and analysis, communications, administrative support, preparation of annual reports and updating of website content.

17. To estimate the costs of the staff required, the Scottish Government considered a hypothetical staffing structure for the Commission, and attributed Scottish Government average staff costs for 2016-2017 to that structure. On that basis, it is estimated that approximately £209,027 will be needed to meet staff costs, and this may of course change in the future in accordance with Scottish Government Public Sector Pay Policy. There may also be some scope to make savings by using shared service agreements for some aspects of the Commission's work and corporate functions.

18. If the Chair decided that a greater staffing resource was required then this could be in line with the Scottish Commission for Human Rights, whose staff costs were £682,000 in year 2015/16.

19. There will also be salary costs for the Chair and members. In accordance with Public Sector Pay Policy for senior appointments, the Chair and the members will be paid a daily rate, the level of which is yet to be determined and will only be fully determined during the public appointments process. To give indicative costs, if the maximum of the current band 1 rate of the Daily Fee Framework was used, the daily fees would be £475 and £337 respectively. Given the duties outlined for the Commission costs have been based on an anticipated four days work each month with the cost of the Chair and four members totalling £87,504 per annum.

20. If the Chair were to be employed on a full time basis it is reasonable to assume that the salary would be in line with that of the Children and Young Persons Commissioner for Scotland, which would be in the region of £70,000 per annum, with pension contributions considered this would bring the final cost to approx. £87,000 per annum.

Non-staff costs

21. In addition to staff and salary costs, there will be non-staff costs that will include the cost of conducting additional research work to underpin the Poverty and Inequality Commission's programme of work, and other costs such as on-going IT maintenance and other expenses such as communications, legal costs, audit costs, staff training and operational costs.

Research

22. Within the hypothetical staffing structure that the Scottish Government used to estimate staff costs, there is dedicated staff resource for a researcher. However, depending on what the Commission wishes to include in its programme of work, it will likely be necessary to externally commission research. It is considered prudent to set aside a notional research budget for the Commission when it is fully operational, a reasonable budget for this would be £60,000 per year, which would be sufficient to secure two smaller research projects or one large project.

23. However, this budget could increase to £120,000 depending on what work the Chair sought to commission. It will of course be up to the Commission as to how it spends this money, and it may desire to have a smaller research budget and instead spend more on additional staff with the relevant expertise.

IT maintenance

24. In order to reduce on-going costs to the Commission, the Scottish Government has estimated costs for IT support on utilising the existing network used by the Scottish Government and some other public bodies. The cost for this service annually would be approximately £678 per user. For the size of the Commission set out, this would total £6,102 each year. Assuming that Commission staff were to update content on the website then costs for maintenance and domain registration would cost approximately £700 per annum.

25. However, additional development would raise this cost significantly. For a highly bespoke website, maintenance and design costs would likely be up to £20,000 per annum; as evidenced by the Scottish Human Rights Commission Annual Report and Accounts 2015/16.

Travel and subsistence

26. As Members of the Commission, and any members of committees established by the Commission who are not members of the Commission, are entitled to such remuneration and expenses as the Scottish Ministers may determine, additional resource will need to be considered to support this. It is reasonable to expect that non-members will be given reimbursement for travel and subsistence only during participation in committees. There will also be on-going travel and related expenses due to the nature of work involved. A notional budget of £15,000 has been allocated for this purpose, based on estimates for the Scottish Land Commission.

Estimate of lower and higher range costs

27. The costs outlined in Table 1, below, are those which the Scottish Government believes are reasonable to assume are at the lower end of the range, given the provisions outlined for the Commission. These costs represent part time remunerated members, supported by a minimal secretariat team, which operate from within the Scottish Government estate.

Table 1: Costs for the Poverty and Inequality Commission (lower range)			
	Start Up Costs	Cost per annum	Total cost for period 2018/19 – 2031/32
Chair and Members Salary	£0.00	£87,504	£1,225,056
Staff	£0.00	£209,027	£2,926,378
Non-Staff Costs	£28,000	£81,802	£1,173,228
Total	£28,000	£378,333	£5,324,662

28. Costs for a more substantial Commission with full secretariat are outlined in Table 2, below. This represents a full time Chair with part time Commissioners and staffing costs based on those outlined within the Scottish Fiscal Commission financial memorandum. The IT set-up

and maintenance costs have been adjusted to reflect this increased staffing quota. This model also includes a bespoke website based on the upper costs outlined above.

Table 2: Costs for the Poverty and Inequality Commission (higher range)

	Start Up Costs	Cost per annum	Total cost for period 2018/19 – 2031/32
Chair and Members Salary	£0	£151,704	£2,123,856
Staff	£154,000 (Project Team)	£345,000	£4,830,000
Non-Staff Costs	£123,850	£276,102	£3,865,428
Total	277,850	£772,806	£10,819,284

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