

Discussion paper: uprating of expenses provision for financial year 2020-21

5 March 2020

Reference: SPCB(2020)Paper 14

Executive Summary

1. The SPCB is invited to agree options on the indices to be used to increase the Members' Expenses Provisions and the Party Leaders' Allowance for the financial year 2020-21.

Background

2. Provision is made under paragraph 1.2.4 of the Reimbursement of Members' Expenses Scheme and Rule 6(1) of the Party Leaders' Allowance Scheme to **increase the provision made on the 1st April each year having regard to such indices as the SPCB considers appropriate**. Paragraph 1.2.5 of the Members' Expenses Scheme also determines that any increased expenses limit for the major expense categories will be rounded up to the nearest £100 at each uprating.
3. The SPCB reviewed the indices to be used for future uprating in June 2017 and agreed in principle to continue to increase the Office Cost Provision and other expenses provisions in line with the January All Items RPI figure whilst the Staff Cost Provision (SCP) would be increased by using the mean public sector wage figure from the Annual Survey of Hours and Earnings (ASHE), which is also used to uprate Members' salaries.
4. The mean public sector ASHE index is 1.4%, below the current and expected rate of inflation (CPI is 1.8%). Since the SPCB agreed to use the ASHE index in 2017 it made an exception to vary from it in 2018 when it was also beneath inflation at 0.6%.
5. Specific representations have been received by the Labour Parliamentary Group and both the NUJ and GMB unions, who represent some of the staff employed within the Parliament, for the SPCB to consider the option of a 3% increase in line with this year's Scottish Government public sector pay policy.
6. For the current 2019/20 financial year all Members are on track to spend within their SCP; a small number have received funding from their party pools to assist them in managing their budget.

Issues

7. There are a number of issues the SPCB may wish to consider in relation to the Staff Cost Provision (SCP) as part of the discussion on the uprating:

- Flexibility: The SPCB sets the index for the uprating of the overall scheme. Individual Members, as the employers, determine how many staff they employ, in which roles, their salary plus any cost of living increase. Within the overall pay ranges, Members can determine the cost of living award so long as it is affordable. In reality most Members spend up to the full limit of the provision and pass on the SPCB uprating as the “cost of living award”. The amount of SCP made available to Members by the SPCB through the scheme may be reduced as a result of contributions to party group pools. The level of individual contribution currently varies from £5k to £20k per Member.
- Staff terms and conditions: Pay ranges were introduced by the SPCB as part of staff terms and conditions to ensure that the level of reward was appropriate to the relative size and content of the job; to improve transparency and to avoid perceptions of inequality whilst managing the overall base salary costs. As such, the SPCB always ensures that the bottom pay range is consistent with the living wage and Members are limited by what they can award for those already at the top of their pay range. In short, if the SPCB uses ASHE, a 1.4% pay award is the only option for those at the top of their pay range in order to preserve the overall Staff Cost Provision cap.
- The relative merit of different indices: All indices available to the SPCB are subject to fluctuation. Since all the indices are typically lag indicators, they may result in salary increases not being recognised until the next financial year.
- Reputational consideration: The means of uprating is set out in the Scheme approved by Parliament. It is open to the SPCB to choose a different index each year. The SPCB was minded in the past to select one index to provide a consistent approach, which removed annual choice between indices.

Options

8. The main options available are considered below. There are many different calculation permutations in respect of the indices, and how they could be applied, which cannot be covered sensibly in this paper but which we are happy to expand upon at the meeting.

9. **OPTION 1**: Stick with the ASHE index as previously agreed by the SPCB and uprate the SCP by 1.4% and at the same time uprate the individual pay range maxima and minima by the same percentage.

10. This index was chosen on the basis it was consistent with the index used to uprate MSP pay. It represents the mean increase in gross full time annual pay in the Scottish public sector between April and April of each financial year. The figure is

published in November each year for uprating purposes ahead of the new financial year. It is therefore a lag indicator of what is happening in Scottish public sector pay.

11. However at **1.4%** it is beneath current and expected rate of inflation. The SPCB could make an exception but this would be the second time it has done so in 3 financial years, which could suggest it is not providing a credible, consistent approach for uprating.

12. **OPTION 2:** Consider the use of a different stand alone index. There are three other indices which the SPCB could use to uprate SCP:

- a) Average Weekly Earnings (AWE): This would mean pay would grow at the same rate as the increase in average UK earnings (all sectors) over the previous year. The April figure (consistent with ASHE calculations) is **3.2%**, although it has been higher during the year. It is calculated on a monthly basis and can also fluctuate markedly; it has been lower than ASHE two years out of the last three.
- b) Inflation (CPI): This is a price index required to be produced by the Bank of England and is the UK Government's preferred measure of household inflation. It is used for uprating a variety of things including public sector pensions, benefits and tax credits. For comparison, in April CPI was **2.1%** but has in the last 6 months been consistently lower.
- c) RPI (currently used to uprate office cost provision): Whilst RPI is used to uprate the office cost provision, the Office of National Statistics reviewed it some years ago and found it did not meet the required standard for designation as National Statistics. It is still used in some narrow circumstances, such as index linked government bonds and rail fares. In April RPI was **3.1%** but it also has fluctuated markedly throughout the year and in comparison to AWE. RPI can also go into a negative figure. Alone it may be a less credible approach given its limited use.

13. **OPTION 3:** As requested by the Parliamentary Labour Party and the NUJ and GMB unions, consider using the Scottish Government pay policy for this year which is **3%** for most workers.

14. The Scottish Government pay policy applies to approximately 9% of the Scottish public sector, for example it does not apply to local authorities, the NHS or the SPCB, although it does act as a benchmark for the major public sector workforce groups.

15. It is a governmental policy rather than an index and as such may include wider fiscal and economic considerations, as well as trade union representations.

16. During austerity between 2010 and 2018 the staff cost provision increases were mostly above the 1% Scottish Government pay policy cap. The Scottish Government pay policy for last financial year equated to 3% for those earning less than £36.5k and 2% for those earning between £36.5k and £80k. The majority of MSP staff salaries fall

below £36.5k and the increase to the SCP was 2.36% therefore the SCP increase was less favourable than the public sector pay policy last financial year.

17. **OPTION 4:** Consider the use of a “basket of indices”. This could be an acceptable option which may provide a more steady basis for any increase since severe fluctuations are more likely to be moderated.

18. Whilst we have considered a range of different permutations there are two we would recommend for SPCB’s consideration:

- a) An average of AWE and ASHE, the wage-related indices, which would make sense on the basis that the staff cost provision is a provision for Members to appoint and pay staff.
- b) An average of all the main indices, AWE, ASHE, CPI and RPI. RPI, could be included as it is still used to uprate the Office Cost Provision and CPI is used for the overall SPCB budget setting.

19. This table provides an overview of the stand-alone indices and the 2 “basket of indices” approach against actual SCP awarded over the last 5 years for comparison.

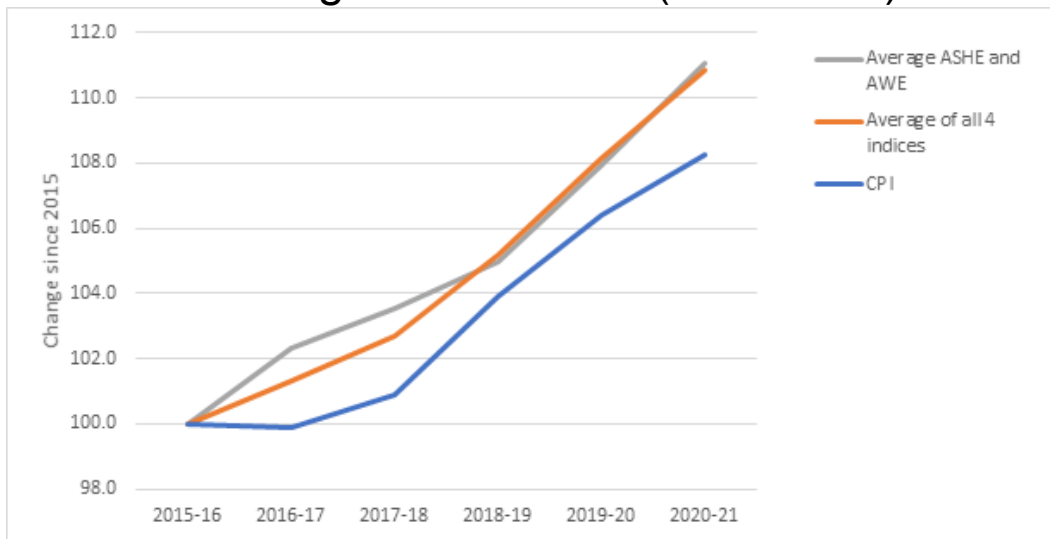
% changes for each indicator and actual SCP increases, plus “baskets of indicators” increases

	ASHEmedian	ASHEmean	AWE	CPI	RPI	Average-all 4 indices	Average ASHE and AWE only	Actual SCP increase
2016-17	2.1	2.8	2.4	-0.1	0.8	1.3	2.3	1.93
2017-18	0.2	1.8	2.2	1.0	2.0	1.4	1.2	2.64
2018-19	0.4	0.6	2.3	3.0	3.9	2.4	1.4	2.06
2019-20	2.8	2.3	2.7	2.4	3.3	2.8	2.8	2.36
2020-21	2.2	1.4	3.6	1.7	2.4	2.5	2.9	-

Footnote: The average calculations in the above table use the annual percentage changes in the *median* gross annual pay for full-time public sector workers in Scotland. Please note that the previous SPCB decision was to use the *mean* gross annual pay public sector figure which currently sits at 1.4%, compared to the median figure (2.2%) above.

20. This graph shows performance of the 2 “basket of indices” approach against inflation [CPI] in the last five years.

Annual % changes since 2015 (2015=100)



21. Whilst all the indices have fluctuated, and will continue to do so over time, either of the basket of indices approach could offer some benefits in the medium term by:

- Helping to smooth out volatility by removing over reliance on just one index to perform;
- Helping to reduce any geographical bias by using a mix of UK/Scotland wage indices and different employment sectors
- Offering a credible approach, building on what other legislatures in the UK are using (see Annex A).
- Enabling a degree of consistency and clarity in the medium term – for example the SPCB could formulate a policy for the uprating of the SCP that states it will use this basket approach or CPI, whichever is higher.

Outcomes

22. Whilst the ASHE figure is one annual figure, the other indices are more regularly measured and reported on an ongoing basis. We have considered various permutations and calculations and would draw the SPCB's attention to the following two options which we believe are strongest:

- If the SPCB choose the average of the basket of wage indices [ASHE and AWE] calculated in September 2019, in order to prepare the annual SPCB budget, it would be 2.9%. In practice, given the provision to round up to the nearest £100, this would mean that SCP would be uprated in April 2020 by **2.96%**.

- If SPCB choose the average of the basket of 4 indices [AWE, ASHE, CPI and RPI] for September this would be **2.5% (rounded up 2.52%)**, the highest figure would be based on the preceding April at **2.7% (rounded up 2.74%)**.

Other Uprating Decisions

23. As part of increasing the Staff Cost Provision, the minimum and maximum points of the current agreed pay ranges will require adjusting in line with the increase. The new minimum and maximum amounts are detailed at Annex B for consideration. The SPCB will wish to note that it would be proposed that an automatic increase be applied for all Members' staff who are currently situated on the minimum or maximum of the pay range but that any other salary increases are, as usual, at the discretion of the Member, as the employer, within the agreed minimum and maximum points of the pay ranges.

24. In accordance with the Scheme, the different mileage rates are set in accordance with the rate determined by the Income Tax (Earnings and Pensions) Act 2003. There has been no increase in these rates and as such the rates previously paid remain unaltered at 45 pence per mile for motor mileage. Details are provided at Annex C.

25. The uprating of the Party Leaders Allowance (PLA) also requires to be discussed. This has been previously increased by using a combination of the increases for the OCP and SCP, however most costs are staff costs and it may be better linked to the SCP rate including any rounding up to the nearest £100.

26. In terms of the Office Costs Provision, applying the usual January All Items RPI figure would mean an increase of 2.7%, raising the annual maximum limit from £19,700 to £20,300 at 1 April 2020, an increase of £600 (representing an actual increase of 3.04% when rounded up to the nearest £100).

Looking longer term

27. Uprating of MSP salaries using ASHE has already been announced and reported via the Finance & Constitution Committee scrutiny session of the SPCB budget for 2020/21 and therefore no change to this would be recommended at this stage.

28. As above it is sensible at this stage to also proceed with using All Items January RPI for the Office Cost Provision and as part of the calculation for the uprating of Party Leaders' Allowance.

29. As the SPCB know the Members' Expenses Scheme Review recommends we reconsider Party Leaders' Allowance separately from that review and it is anticipated that this would be undertaken before the end of this session.

Resource Implications

30. The approved 2020-21 budget contains adequate provision for the indexation of Members' expenses in line with the standard uprating provisions of the scheme. The overall increase will be dependent on the option chosen.

Publication Scheme

31. This paper will be published in line with the SPCB's Publication Scheme. This will then allow the new upratings to be published and HR Office to discuss with MSPs what changes they wish to make as employers for their staff prior to the implementation of any increases from 1 April 2020.

Decision

32. The SPCB is invited to agree the uprating arrangements to be applied to the Members' Expenses provisions for the financial year 2020-21 with effect from 1 April 2020.

Financial Resources Group March 2020

ANNEX A

Comparative practice in other UK legislatures

- The Welsh Assembly currently uses ASHE, gross Median Earnings for full-time employee jobs in Wales between March and March of the previous year to increase both Assembly Members and Members' staff salaries. Members' staff are strictly employed within job descriptions and pay bands and start on the lowest scale point of each band and move up the incremental scale annually one point at a time, providing their performance is satisfactory, until they reach the maximum for their band. Any balance of the staffing expenditure is for Members to use to cover amongst other things temporary staff costs, which the SPCB meet separately.
- The Northern Ireland Assembly are currently working under the provisions of the Assembly Members (Salaries and Expenses) Determination (Northern Ireland) 2016 given that there is currently no independent panel. The determination provides for Members' salaries to be uprated by £500 on 1 April, if CPI for September in the previous year was 1% or greater. For Members' support staff costs, all staff must be paid at a spine point on one of the prescribed salary scales. There is no provision for an annual uprating to be applied to the individual spine points, but the Determination allows for an annual spine point increase subject to the satisfactory performance of duties. This incremental increase is at the Members' discretion.
- The Independent Parliamentary Standards Authority (IPSA) is responsible for setting and administering Members salaries and expenses, including staff costs, for Members of the UK Parliament. Members' pay uprating is linked to the public sector average weekly earnings (AWE) for the previous October. Members staff are again employed under pay ranges and job descriptions determined by IPSA for use by the employing Member. IPSA review the standard salary ranges for MPs' staff about every three years in order to benchmark them against market rates for comparable jobs in other sectors. As MPs are the employers of their staff, they decide for themselves about changes to individual staff members' salaries, although IPSA encourage at least a cost-of-living increase in line with government guidance for other parts of the public sector. In 2019-20 the staffing cost budget was uplifted by 1.5%.

Research level 1 - Researcher	23,768	24,101	24,472	24,367	30,727	31,157	31,637	31,501
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Research level 2 - Senior Researcher	32,226	32,677	33,180	33,038	38,007	38,539	39,132	38,965
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Management level 1 - Office Manager	27,729	28,117	28,550	28,428	35,223	35,716	36,266	36,111
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Management level 2 - Head of Office	36,983	37,501	38,078	37,915	43,360	43,967	44,643	44,453
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EXPENSES RATES 2020/21

Provision	Current Level	Proposed Increase	Proposed New Rate	Actual % Increase
Office Cost Provision	£19,700*	RPI – 2.70%	£20,300*	3.04%
Staff Cost Provision	£91,200*	ASHE – 1.4%	£92,500*	1.42%
		AWE/ASHE – 2.9% (Sept)	£93,900*	2.96%
		AWE/ASHE/CPI/RPI – 2.5% (Sept)	£93,500*	2.52%
		AWE/ASHE/CPI/RPI – 2.7% (Apr)	£93,700*	2.74%
Edinburgh Accommodation Provision	£15,200*	RPI – 2.70%	£15,700*	3.28%
Edinburgh Accommodation Provision – Overnight Rate	£168	RPI – 2.70%	£173	2.97%

Overnight UK (excluding Greater London)	£168	RPI – 2.70%	£173	2.97%
Overnight (Greater London, Brussels, Strasbourg)	£195	RPI – 2.70%	£201	3.07%
Surgery Advertising	£1,929	RPI – 2.70%	£1,981	2.70%
Telecommunications	£1,463	RPI – 2.70%	£1,503	2.73%
Winding Up	£6567	One third of OCP	£6767	3.04%
Party Leaders Allowance 30+ members	£31,130	Combined Indices +	£32,100	3.1%
		SCP	£32,100	3.2%
Party Leaders Allowance 15 to 29 Members	£16,383	Combined Indices +	16,900	3.1%
		SCP	£16,900	3.2%

Motor Mileage	45p per mile for first 10,000 miles and 25p per mile thereafter		45p per mile for first 10,000 miles and 25p per mile thereafter	
Motor Cycle Mileage	24p		24p	
Pedal Cycle Mileage	20p		20p	
Staff Travel Provision	74		74	

- * Rounded up to nearest £100 in accordance with the provision made in the Reimbursement of Members' Expenses Scheme.
- + Calculated as 24% office costs and 76% staff costs