



The Scottish Parliament
Pàrlamaid na h-Alba

Resource Allocation for 2023-24 and Future Years

8 December 2022

Reference: SPCB (2022) Paper 74

Executive summary

1. The Corporate Body considered its high-level planning and budgeting assumptions at its Planning Meeting on 2 September 2022. Further to that discussion, this paper invites Corporate Body to discuss the proposed budget bids for 2023-24 and the indicative forecast for 2024-25. We are due to submit the bid to the Finance & Public Administration Committee by 15 December.

2. This budget bid is the second of our medium-term financial plan for session 6 and is aligned with the commitments made in the 2022-23 submission which focussed on setting up SPS for the challenges of session 6. The key challenges in this 2023-24 bid centre around inflationary pressures and establishing a budget which is fair and affordable and takes account of the cost of living crisis.

3. In summary the bid proposes:

- A total proposed budget for 2023-24 of £117.6m representing a net £5.4m (4.8%) increase on the current financial year's budget and £1.2m (1.1%) on the indicative 2023-24 budget advised to the Finance and Public Administration Committee.
- Members' pay is increasing in line with the ASHE Mean index of 1.5%.
- Members' Expenses increase as a result of indexation and an adjustment to the budgeted uptake of the provision.

- SPS Staff budget maintains the staffing baseline as agreed in the 2022-23 budget bid updated to take account of anticipated increased inflationary pressures as advised by OBR and BoE.
- £1.5M contingency, to deal with unforeseen issues and additional in year pressures, this is £0.5m higher than in previous years in recognition of price inflation volatility.
- An increase in the Officeholders' budget of £1.2M (8.1%) largely driven by increased staffing in the Ethical Standards Commission.
- £121.5M indicative bid for 2024-25, a £3.9M (3.3%) increase on the 2023-24 budget bid.

SPCB is invited to agree the bid for 2023-24; the indicative for 2024-25; and affirm the results of the agreed indices to be used to calculate Members' pay, Staff Cost Provision and Office Cost Provision as per Scheme requirements.

Issues and options

Staffing

4. The proposed budget of £37.3m for staff pay, shows a £2.3m (6.7%) increase compared to the current year's approved budget and a £0.6m (1.7%) increase compared to the indicative forecast for 2023-24.

5. The main driver of the increase to staff pay is inflation, where for budgetary purposes we have made provision for a cost of living pay award for the next financial year. This is subject to negotiation with the TUS. There is a risk that inflation could be higher than budgeted and we will need to assess this as part of the discussions with SPCB to set a negotiating remit.

6. The annualised impact of the impact of the staffing baseline increases costs by £0.6m in 23/24 as approved in the 22/23 budget cycle. The staffing baseline, excluding inflation, is exactly as agreed in the 23/24 submission.

7. The staff pay budget also reflects the continued investment in the modern apprentices' programme, supporting young people aged 16-24 to work in the Parliament whilst earning a qualification.

8. We know from experience that staff turnover reduces the net cost of incremental pay progression. This is reflected in an assumed level of vacancies, which is applied to the staff pay budget as a credit. The vacancy factor is budgeted for 2023-24 at £940k or 2.5% of salaries.

9. We remain committed to stewarding our resources to live within the staffing baseline, leveraging the contingency fund to cover any demands for temporary flexibility over the medium term of this session.

Staff Related Costs

10. Staff related costs are budgeted at £818k, an increase of £27k (3%) from the current year's budget and is aligned with the 23/24 indicative budget.

Property Costs

11. Property Costs of £8.7m show an increase of £0.8m (+10.8%) on the 2022-23 budget. The main budget areas are set out below.

12. Rates, at £3.7m, accounts for almost half of total property costs and is projected to be £0.1m (+3%) higher than the 2022-23 budget bid. The charge is based on a rate in the pound for non-domestic rates set by the Scottish Government which still has to be announced for 2023-24 and the assessed rateable value of the building.

13. Maintenance costs are projected to increase by 12% from £2.4m in 2022-23 to £2.7m in 2023-24. This is due to cost increases from suppliers and the nature of this work is that there will be peaks and troughs over the years in line with FM's 25-year maintenance plan, though we aim to smooth these as much as possible.

14. The biggest driver of the increase in Property costs is due to Utilities where budget costs in 2023-24 are projected to rise by £0.4m resulting from electricity price increases of 39% and Gas price increases of 125% due to extreme pricing volatility.

Running Costs

15. Running costs of £7.3m mainly consist of the SPCB's outsourced contracts for the provision of goods and services and are the same as the 2022-23 budget and are £0.2m lower than the indicative budget for 2023-24. Cost savings in telephony, general software licences and cloud hosting services support are offset by increases in other areas such as advisors and the reintroduction of the creche.

Income

16. The projected income of £270k relates principally to the Parliament shop, and no change against the 2022-23 budget. This is based on a normal year of opening to the public alongside the online shop offering.

Project Expenditure

17. The total amount incorporated in the 2023-24 budget for revenue and capital projects is £5.2m, which is a marginal increase with the 2022-23 budget and in line the indicative 2023-24 budget.

18. The project expenditure budget funds both the planned replacement of existing infrastructure (e.g. IT, Broadcasting and security systems and equipment) and investment to make improvements to the Parliament's services and facilities (e.g. the development of better digital services and changes to make better use of the building). Schedule 3 provides further details of the planned expenditure for 2023-24 and Schedule 3a includes the major projects in the plan.

Members' Costs

19. Since 2015-16 the MSP pay budget has been calculated on the basis that pay will be uprated on 1 April by the Annual Survey of Hours and Earnings (ASHE) index published annually in the previous autumn. This enables a high level of certainty around these salary costs. In 2021-22, the SPCB's budget bid to the Finance & Constitution Committee reflected a 0% uplift on those salary rates for 2020-21 and pay uplift in 2022-23 was 3.4%.

20. ASHE was published on 27 October 2022 and the relevant index for uprating of 2022-23 salaries is 1.5%. The budget has been prepared on the basis of applying a 1.5% uplift to members pay from 1 April 2023. This would equate to a salary of £67,662.

The SPCB is invited to affirm the ASHE indexation and note the figure to be applied to Members' pay.

21. At the SPCB meeting in March 2020, the SPCB agreed to index SCP annually using a mix of Average Weekly Earnings (AWE) and the ASHE index ([SPCB \(2020\) Paper 14](#)). Based on the recent ASHE publication this derived an index of 4.1%. With general inflation tracking at greater than 10%, an alternative option is to adopt one of the basket indices, AWE which at publication in November is 5.6%. This results in a rate of £147,000 per Member. The budget submission reflects this indexation. It should be noted that Members as employers, within the overall pay ranges, can determine the cost of living award to their staff so long as it is affordable.

22. For budgeting purposes an assumed uptake of the Staff Cost Provision is applied to determine the overall budgeted cost of SCP. Historically this has been assumed at 95% however a review of recent trends shows that the average uptake rate between 2016-17 and 2021-22 (excluding election years) is 93% and this rate has been reflected in the 23-24 budget bid.

23. The 2023-24 budget increase of £1.2m (4.7%) from the 2022-23 budget, and £0.4m (1.6%) from the indicative for 23-24 reflects these indexation and uptake assumptions.

The SPCB is invited to affirm the agreed indexation and note the figure to be applied to for 2023-24 for SCP.

Commissioner's and Ombudsman's Costs

24. The Officeholders' draft 2022-23 budget submissions total £16.6m which is £1.2m (8.1%) higher than the current year and £0.8m (5.4%) higher than the indicative. The main changes in these budgets from 2022-23 reflect resourcing changes in the Ethical Standards Commissioner (ESC) and the Scottish Human Rights Commission (SCHR) with the recently considering a business case from the Acting Ethical Standards Commissioner and agreeing to provide funding for an additional 7.4 FTE staff.

25. An analysis of the officeholders' budget bids is provided in schedules 4a and 4b.

The SPCB is invited to confirm they are content with the Officeholders budget bid for 2023-24.

Contingency

26. In recognition of the prevailing inflationary challenges and the associated risk and uncertainty to major spend categories, the budget bid includes a general £1.5m contingency bid to cover:

- a prudent contingency for emergencies.
- potential pressures across the SPCB cost base, which are not yet confirmed or certain.

2024-25 Indicative Forecast

27. Schedule 1 provides an indicative forecast for 2024-25. The Corporate Body is invited to note that the total SPCB budget for 2024-25 is projected at £121.5m, representing a 3.3% increase to the proposed 2023-24 Budget.

28. This forecast for 2024-25 is heavily caveated. Indices applied are based on OBR and Bank of England CPI forecasts however continued volatility in inflation is anticipated. The SPCB is invited to note that the Scottish Government's projections for the overall Scottish Budget are not yet available and will be published on 15 December 2022.

Publication Scheme

29. This paper can be published after the SPCB has completed giving evidence on the 2023-24 budget to the Finance and Public Administration Committee.

Decision

30. The SPCB is invited to approve the budget bid for 2023-24 and the indicative proposal for 2024-25.

S GLASS

Chief Financial Officer

December 2022