

SPCB BUDGET ASSUMPTIONS 2017-18

Executive Summary

1. The Corporate Body is invited to approve the assumptions on which the SPCB's budget bid for 2017-18 will be prepared.

Issues and Options

2. The SPCB's budget is "top-sliced" and, technically, is not constrained by funding pressures in the Scottish Consolidated Fund (SCF). However, in previous years, the SPCB has generally set its budget at a level which is in line with, or a reducing proportion of, the overall Scottish Budget. Accordingly, the SPCB has delivered a significant reduction in its resources in line with the real term reduction in the overall Scottish Budget over the period of the previous UK Comprehensive Spending Review¹.
3. There was an exception to this pattern last year, when the SPCB's budget requirement for 2016-17 of £84.4m revenue and capital expenditure represented a higher year-on-year increase than the overall Scottish Budget. This resulted from the need to address one-off election costs and the emerging demands arising from the complex new powers which the Parliament will exercise in the new session, including the increase in Members' staff cost provision.
4. The SPCB's current indicative forecast of revenue and capital expenditure for 2017-18 is £83.8m, as advised to the Finance Committee in December 2015. This represents a reduction of £0.6m from the approved 2016-17 budget.
5. The SPCB is invited to consider the assumptions to be used in preparing its 2017-18 budget submission in the context of the expected continuing funding pressure for public sector expenditure. The proposed assumptions are set out in Annex A. In particular, the SPCB's attention is drawn to paragraph 5(i) of the annex, which proposes that we work within the indicative forecast for 2017-18, as previously advised to the Finance Committee - ie a total budget for revenue and capital expenditure of £83.8m (excluding capital charges).

Resource Implications

6. The budget exercise will determine the level of resources available to the Parliament for 2017-18.

¹ These proposals delivered an overall saving of 10% in real terms over this period (as measured against the SPCB's 2010-11 budget)

Governance issues

7. Detailed preparations to produce a 2017-18 budget bid will commence, culminating in groups and programme managers providing their detailed bids to the Finance Office by mid-August. The bids will then undergo a challenge process, both at a local and a corporate level, before being brought to the Corporate Body in October for approval prior to submission to the Finance Committee.

Publication Scheme

8. This paper will be published in line with the SPCB's Publication Scheme.

Next Steps

9. In order to meet the parliamentary timetable for approval of the Budget bill, the SPCB's budget proposals have to be finalised in October for submission to the Finance Committee in early November.

Recommendation

10. SPCB is invited to agree the budgetary assumptions to be made when preparing the 2017-18 budget submission and in particular our recommendation that, for budget planning purposes, we aim to set the 2017-18 budget at £83.8m as advised to the Finance Committee in December 2015.

**Finance Office
June 2016**

SPCB BUDGET ASSUMPTIONS 2017-18

1. This annex sets out the proposed assumptions on which the 2017-18 budget submission is to be prepared and invites the SPCB to endorse these and to identify any specific areas of current operations that they would like us to review or query in the budget preparation process.

Background

2. A large part (34.7%) of SPCB's approved £82.9m revenue expenditure budget for 2016-17 is determined by external factors in respect of MSP pay and expenses (£28.8m), where the budget is largely committed by Parliamentary resolution / legislation. The funding for Officeholders of £8.4m (10.1%) is also subject to different governance arrangements from the rest of the SPCB's budget. This leaves £45.7m (55.2% of its 2016-17 revenue budget) over which the SPCB has more direct control. Essentially, this is used to provide the property, staff and services required for the Parliament's purposes. Approximately half (£23.7m or 28.6% of the total revenue budget) is accounted for by staff pay. The remaining £22.0m (26.6%) covers the general running and property costs of the organisation, including projects and contingencies.
3. The SPCB's 2016-17 budget submission identifies capital expenditure of £1.5m separately, resulting in a total expenditure budget, for both categories of expenditure, of £84.4m (excluding capital charges).
4. The indicative 2017-18 expenditure forecast, for both revenue and capital, advised to the Finance Committee in December 2015 was £83.8m, 0.7% below the 2016-17 budget in cash terms.

Budget Assumptions

5. The following assumptions are currently being made in the preparation of the proposed SPCB 2017-18 budget submission and, subject to any points made by members, the SPCB is invited to endorse the assumptions:
 - a) All budgets are prepared on a "zero based budgeting" basis, with justifications and explanations provided for all expenditure.
 - b) The types of services provided to Members and the public in the current financial year will broadly continue in 2017-18 and the priorities for change are those set out in the Strategic Plan for the Scottish Parliament (attached at Annex B). In respect of the resource impact of the newly devolved powers and the costs of the Lobbying (Scotland) Act 2016, our budget approach will be to build the 'known' costs for these areas directly into staff and running cost budgets and to make provision in the central contingency for costs which are not yet certain.

- c) Staff pay budgets are calculated on the basis of current pay scales for existing permanent staff, including contractual increments due. The current 2 year staff pay deal covers the period up to March 2018.
 - d) The total staff pay budget will be reduced by a “vacancy factor” to reflect anticipated levels of staff turnover. The posts to be included in the budget will be the staff complements agreed for each office.
 - e) There is no automatic allowance made for inflation and an assumed uplift for price levels will only be applied to the purchase of goods and services where long term outsourced contracts include specific provision for indexation. This will be evaluated on a contract by contract basis.
 - f) MSP pay will be updated on 1 April 2017 in line with public sector pay rises in Scotland, as recorded by the Annual Survey of Hours and Earnings (ASHE) published in November 2016.
 - g) The budget for Members’ Expenses will be set in accordance with the provisions of the Members’ Expenses Scheme.
 - h) The budget submission will incorporate a contingency, comprising a specific “ring-fenced” contingency to meet unforeseen liabilities / unavoidable new costs and a general contingency to meet various potential cost pressures identified at the time of setting the budget.
 - i) Notwithstanding the “zero based budgeting” approach, we recommend setting an upper limit for the SPCB’s total budget submission to assist managers in prioritising their budget proposals, particularly for project expenditure. For planning purposes, we propose to work within the indicative forecast for 2017-18, as previously advised to the Finance Committee – i.e. a total budget for revenue and capital expenditure of £83.8m (excluding capital charges).
6. We will continue to identify and separately estimate the costs of projects, as distinct from our normal recurring expenditure, within the overall budget. This ensures that project budgeting and expenditure is much more clearly visible.
7. The SPCB will be invited to consider and approve the 2017-18 budget submissions from Commissioners and Ombudsman in September/October.
8. In addition to the detailed budget bid for 2017-18, we will prepare an indicative forecast for 2018-19.

The Strategic Plan for the Scottish Parliament

PURPOSE

Representing the people of Scotland by debating issues of national importance, passing legislation and holding the Scottish Government to account

VISION

Making a positive difference to the lives of the people of Scotland

STRATEGIC GOALS

Informing, involving and being accountable to the people of Scotland

Creating good quality, effective and accessible legislation

Undertaking rigorous scrutiny of the Scottish Government and accountable bodies

AIMS OF THE SCOTTISH PARLIAMENTARY SERVICE

Providing Members with high quality support and resources to allow them to excel in their roles as parliamentarians and representatives

Improving parliamentary scrutiny to ensure the effective oversight of the Scottish Government and other accountable bodies and the thorough examination of legislative and policy proposals

Promoting engagement and participation to support and strengthen the work of the Parliament and to enhance parliamentary democracy at home and abroad

Driving modernisation to establish the Parliament as an exemplar of good governance, excellent resource management and accountability

OUR PRIORITIES FOR CHANGE, we will

- Strengthen our processes, systems and our support to enable Members to deliver the highest standards of scrutiny
- Support Members to excel in their parliamentary and representative roles through the successful implementation of an on-going development programme
- Proactively influence proposals for constitutional and procedural change to enhance the Parliament's oversight and legislative roles
- Deliver public and external engagement activities that improve the quality and visibility of the work of the Parliament
- Optimise our financial, physical, information and staff resources by modernising business activities and developing new arrangements for resource allocation decisions
- Drive more efficient, effective and flexible working environment for Members, their staff and the SPS, enabled by secure digital technologies
- Support our staff to achieve their full potential through the delivery of our organisational development programme

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