

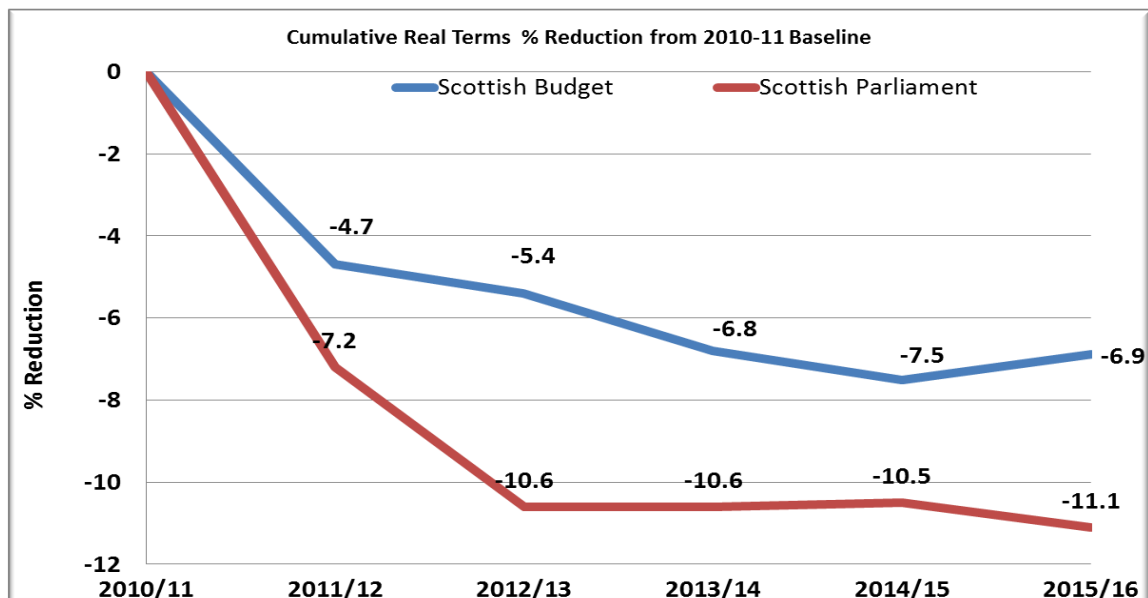
RESOURCE ALLOCATION FOR 2015-16 AND FUTURE YEARS

Executive Summary

1. The purpose of this paper is to invite the Corporate Body to approve the proposed budget bid for 2015-16 and the indicative forecast for 2016-17. We are due to submit the bid to the Finance Committee by 19 November.
2. The Corporate Body noted draft budget proposals for 2015-16 at its meeting on 8 October and we have now finalised the bid in line with that discussion.
3. This paper provides a more detailed analysis of the 2015-16 budget proposals and seeks to bring out the key issues facing the Corporate Body and senior management in setting the budget for 2015-16 and the indicative forecast for 2016-17.

Issues and Options

4. The SPCB has consistently set its budget at a level which is in line with the real-terms reduction in the Scottish Budget over the period of the UK Comprehensive Spending Review (CSR). The chart below shows the projected real terms¹ reductions in the SPCB's underlying budget, measured against the equivalent reductions in the overall Scottish Budget for the five years from the 2010-11 baseline through to 2015-16.



¹ The 'real terms' figures are calculated using the latest published Treasury deflators as at September 2014.

5. In anticipation of future budget reductions, we started a resource planning exercise in early 2010 to identify saving options well before the CSR was published. This enabled the SPCB to target the majority of its required savings towards the start of the five year period.
6. The profile of our annual budget reduction shown in the chart above is therefore considerably steeper in the first two years of the CSR than the overall Scottish Budget, as we have delivered our savings early. It levels off in the remaining three years, although it still shows further modest real terms savings, finishing at a cumulative real terms reduction of 11.1% (4.2% more than the 6.9% reduction currently reported for the overall Scottish Budget).
7. The savings to date have been achieved by a combination of pay freezes and pay restraint (for SPS staff, Members' pay and expenses), staff reductions and a change management programme, which has covered every aspect of the Parliament's operations. We are confident that the recurring annual savings, combined with carefully planned investment in the Parliament's infrastructure and facilities, will enable us to continue to meet our key service requirements within the tight financial constraints expected to persist for public sector budgets in the medium term. However, it is important to recognise that the high level of year on year reductions achieved in the first two years of the current CSR period could not be sustained in the longer term without impacting on service levels.
8. The 2015-16 budget submission should be considered in the context of the Strategic Plan for the Scottish Parliament, which is the subject of a separate paper to be considered by the Corporate Body at its meeting on 29 October.
9. The 2015-16 budget submissions from Officeholders deliver an equivalent level of real term savings to the rest of the SPCB's budget.
10. In order to provide a like for like comparison with previous years, the comparative figures shown in this paper separate out the funding requirement of £2.06m in 2014-15 for the Electoral Commission.

Overview for the proposed 2015-16 budget submission

11. The 2015-16 Scottish Budget² shows an increase of 2.2% compared to the 2014-15 Budget in cash terms (equivalent to a 0.6% increase in real terms). Measured against the 2010-11 baseline budget, the 2015-16 Scottish Budget has increased by 1.9% in cash terms over five years (equivalent to a real terms reduction of 6.9%).
12. As a result of the comprehensive planning which we undertook at the start of the Spending Review and the work we have subsequently done to

² As measured by the total Departmental Expenditure Limit (DEL) for the Scottish Budget. Source FSU.

successfully implement a challenging programme of saving options, the SPCB is able to confirm its 2015-16 budget at the level which we advised to the Finance Committee last November in our indicative forecast. This shows an increase of 1.0% in cash terms compared the 2014-15 approved budget (equivalent to a real terms¹ decrease of 0.6%) and a reduction of 2.7% in cash terms compared to the 2010-11 baseline (equivalent to a real terms¹ reduction of 11.1%).

13. The proposed budget for revenue expenditure is £76.4m. This represents a £1.7m (2.2%) increase on the 2014-15 budget in cash terms. The total budget for capital expenditure is £1.2m. This is a £0.9m (42.9%) decrease in cash terms on the 2014-15 budget.
14. Together, these come to £77.6m which represents an overall increase of £0.8m (1.0%) against the 2014-15 budget. It therefore represents a decrease in real terms of 0.6%, as measured by the latest published Treasury deflators.
15. The total proposed budget submission for 2015-16 is shown in Schedule 1(a). This Schedule also shows the 2010-11 baseline budget and the current year (2014-15) approved budget to provide context to the figures.

Staff Costs

16. Staff pay including use of contractors is budgeted at £23.0m, a net increase of £658k (2.9%) in cash terms from the approved 2014-15 budget. Since the baseline year of 2010-11, the staff pay budget has reduced by £0.1m (0.6%) in cash terms (equivalent to a real terms reduction of 9.2%).
17. The current two year (2013-15) pay deal for SPS staff comes to an end before the start of the 2015-16 financial year. For budgetary purposes, we have assumed a modest increase to pay scales on 1 April 2015, in line with other public sector pay increases. However, no discussions have yet taken place with the TUS. The proposed staff pay budget also takes account of the projected movement of staff through the incremental pay scales on the SPCB's single pay spine. This is a prudent budget assumption, reflecting the contractual entitlements for existing staff.
18. Budgeted staffing costs for 2015-16 have increased by c £250k (1.1%) as a result of Treasury changes to the employers' contribution rates for staff pensions.
19. The 2015-16 staff costs budget also includes provision for the first year costs of the apprenticeship programme, aimed specifically at young people aged 16-24, which was approved by the SPCB at its meeting on 24 September. This accounts for £160k (0.7%) of the year on year increase.

20. We know from experience that staff turnover reduces the net cost of incremental pay progression. This is therefore reflected in a vacancy factor, which is applied to the staff pay budget as a credit. The vacancy factor is budgeted at £450k or 2% of salaries, in line with the figure budgeted for the current financial year.

Staff Related Costs

21. Staff-related costs are budgeted at £0.9m, £70k (8.8%) more than the current financial year. Given the need to maintain levels of service with reduced overall staff numbers, 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. The staff related costs budget also includes provision for travel and associated costs to support the Parliament's engagement activities outwith Edinburgh.

22. Staff related costs also include provision for childcare vouchers.

Property costs

23. Property Costs of £7.5m show a net decrease of £925k (11.0%) on the 2014-15 budget.

24. Rates, at £3.8m, account for over half of total property costs and £906k of the total year on year decrease in property costs is attributable to this element. This follows 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.

25. Utility costs of £897k show a net decrease of £56k (5.9%) on the 2014-15 budget. We benefit from the use of the competitively priced Scottish Government negotiated contract for electricity and have also continued our efforts to drive down energy consumption for gas and electricity through targeted investment in energy efficiency initiatives and by encouraging good practice by all building users.

26. Maintenance costs are projected to increase by 1.1% from £2,088k in 2014-15 to £2,111k in 2015-16. 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.

27. Cleaning costs are budgeted to remain unchanged at £500k.

Running Costs

28. Running costs of £6.8m are projected to decrease by £169k (2.4%) over the 2014-15 budget levels. Running costs mainly consist of the SPCB's outsourced contracts for the provision of goods and services. They also include the SPCB's engagement initiatives in respect of Parliament led events and contributions to the Business Exchange and Futures Forum.

Most individual budget lines have been held at or below the 2013-14 budget in cash terms as shown in schedule 2.

Income

29. The projected income of £245k is all for the Parliament shop and represents a 2.1% increase against the 2014-15 budget. We also continue to seek opportunities to increase the revenue generated from catering services and events. However, it should be noted that these are accounted for as an offset against running costs, rather than as income.

Project Costs

30. An analysis of projects scheduled to be taken forward or continued over the next financial year is attached at Schedule 3. This sets out an analysis of revenue project expenditure totalling £3.9m (an increase of £1.5m against 2014-15) and capital projects totalling £1.2m (a decrease of £0.9m against 2014-15). The project expenditure budget is utilised to fund both the planned replacement of existing infrastructure (eg IT and broadcasting equipment) and investment to make improvements to the Parliament's services and facilities (eg the Digital Parliament programme and changes to make better use of the building).

Members' Costs

31. The MSP pay budget for 2015-16 is calculated on the basis that MSP pay will be uprated on 1 April 2015 by a new mechanism directly linking MSP salaries to public sector pay rises in Scotland, replacing the previous link to MP salaries. The budget of £11.4m represents an increase of £77k (0.7%) on the 2014-15 budget.

32. Members' Costs are budgeted at £13.9m. This represents an increase of £315k (2.3%) on the 2014-15 budget and is calculated on the following assumptions:-

- the budget for Members Expenses and the associated limits for provisions within the scheme will be uprated on 1 April 2015 from the agreed 2014-15 level in line with the uprating provisions of the Members' Expenses Scheme.
- not all members will claim the full entitlement, reflecting our experience of the scheme to date.

Commissioners' and Ombudsman's Costs

33. The proposed 2015-16 budget for Officeholders amounts to £8.3m, representing an increase of £135k or 1.7% on the approved 2014-15 budget. This represents a reduction of 8.4% in cash terms on the 2010-11 baseline budget and, in real terms, the cumulative saving equates to 16.3%.

34. An analysis of the officeholders' budget bids, together with further supporting information on their individual submissions, is provided in schedules 4(a) and 4(b).
35. The SPCB is invited to note that the budget bid for the Children's Commissioner, as shown in schedules 4(a) and 4(b), includes provision for a staffing determination which is the subject of a separate paper to be considered by the Corporate Body at its meeting on 29 October.
36. The SPCB is also invited to note the update on the impact of previously agreed fixed term staffing determinations in the Ombudsman's and Information Commissioner's offices (which is also the subject of a separate paper to be considered by the Corporate Body at its meeting on 29 October).
37. Finally, the SPCB is invited to endorse the recommendation that the potential increase in Investigating Officer days for the Ethical Standards Commission be approved 'in principle' as a contingency bid, rather than being included in the officeholder's 2015-16 budget submission at this time.

Contingency

38. The budget paper contains a proposed contingency of £1.0m, which we recommend be set aside, within the overall Corporate Body budget bid, for emergency/unforeseen issues. This is prudent budgetary practice and helps, among other things, to ensure that individual group and office line budgets are not artificially inflated by speculative bids.
39. The appropriate level of contingency is a matter of judgement. From a financial control and governance perspective, it is important to ensure that the level of contingency is not excessive.

2016-17 Indicative Forecast

40. Schedules 1(b) and 1(c) provide an indicative forecast for 2016-17. The Corporate Body is invited to note that the total SPCB budget for 2016-17 is projected at £79.0m. This represents a 1.9% increase in cash terms on the 2015-16 budget bid (equivalent to a freeze in real terms). The equivalent forecast for the overall Scottish budget is not yet available.
41. The SPCB's 2016-17 indicative forecast represents a reduction of £673k (0.8%) in cash terms compared to the 2010-11 baseline budget and is equivalent to a reduction of 11.1% in real terms.

Publication

42. This paper, including schedules 1 to 4, can be published after the SPCB has completed giving evidence on the 2015-16 budget to the Finance Committee.

Decision

43. The Corporate Body is invited to approve the proposed budget bid for 2015-16 and the indicative proposal for 2016-17.

P E GRICE

Clerk/Chief Executive