

BRIEFING PAPER ON 2013-14 BUDGET PREPARATION

Executive Summary

1. This report invites the Corporate Body to note and comment on preparations for the SPCB's budget submission for 2013-14 and indicative proposals for subsequent years.
2. The budget exercise is progressing well and we are confident that our budget bid will deliver the overall savings target that we had identified for 2013-14. Draft figures are shown in Schedule 1 (attached).

Issues and Options

3. The SPCB's budget is "top-sliced" and, technically, is not constrained by funding pressures in the Scottish Consolidated Fund (SCF). However, the SPCB has consistently set its budget at a level which is in line with, or a reducing proportion of the SCF.
4. Accordingly, the SPCB has already planned for a significant reduction in its resources in line with the real term reduction in the overall Scottish Budget over the period of the UK Comprehensive Spending Review.
5. Following a thorough resource planning exercise, the SPCB provided an indicative forecast to the Finance Committee in November 2010 of its revenue and capital expenditure plans through to 2014-15 as part of its budget submission for the 2011-12 financial year. These proposals set out an overall saving target of 12% in real terms over this period (as measured against the SPCB's 2010-11 budget) and incorporated a real terms reduction of 15.4% in the cost of the Scottish Parliamentary Service (SPS).
6. The SPCB's indicative forecast for 2013-14 of £75.2m for revenue and capital expenditure showed an increase of £1.4m (1.8%) in cash terms against its 2012-13 budget and a reduction of £4.6m (5.7%) in cash terms against the 2010-11 baseline. This equates to a "real terms" reduction of 12.9% from 2010-11 to 2013-14. This budget would keep us on track to deliver the savings target.
7. The SPCB approved the assumptions underlying the budget exercise at its meeting on 13 June (SPCB Paper 41).
8. As a result of the following actions, we have delivered or, in some cases, exceeded the original savings targets for 2013-14 for staff and other costs:

- a) A reduction of 65 full time equivalent posts from our staff complement (approximately one in eight) compared to the 2010-11 baseline including :-
- a Voluntary Early Retirement / Early Severance Scheme in which 34 staff left the organisation.
 - a reduction in the senior management complement, following a review.
- b) A programme of service reviews for the whole organisation, both cross-cutting and at office level, to deliver the overall savings targets for both staff and non-staff costs.
- c) A pay freeze for Parliament staff up to 31 March 2013, worth £1.0m in real terms, accompanied by a guarantee of no compulsory redundancies for the same period.
9. The freeze on Members' pay and expenses to 31 March 2013 has delivered a real terms saving of £1.0m (4.2%) over the two years.
10. The key assumptions for the 2013-14 budget for Members' pay and expenses are:-
- The current arrangements for MSP pay (at 87.5% of MP's salary) continue.
 - The budget for Members Expenses and the associated limits for provisions within the scheme will be updated on 1 April 2013 from the agreed 2012-13 level in line with the updating provisions of the Members' Expenses Scheme
11. As agreed by the Corporate Body on 30 May, a briefing on Members' Expense provision will be provided at the 3 October meeting to inform the SPCB's consideration of this item.
12. Officeholders' budgets are currently shown at the indicative figures for 2013-14 provided by them last year. Officeholders have committed to a real terms reduction in their budget over the course of the Spending Review which matches the reduction planned by the SPS. Although we remain in discussion with the commissioners and ombudsman on a number of points relating to their 2013-14 budget submissions, we are confident that the overall budget for officeholders will be in line with this indicative forecast.
13. The total amount currently set aside in the draft 2013-14 budget for revenue and capital projects is £4.6m, with no separate provision made for a central SPCB contingency. This compares to £3.6m project expenditure and a separate £1.0m central contingency included in the indicative forecast for 2013-14 advised to the Finance Committee last year.
14. The proposed 2013-14 budget for project expenditure includes provision for the External Security Facility (ESF), which was approved by the SPCB on 6 September

2012. It has been possible to accommodate the planned expenditure on the ESF within the SPCB's previous indicative forecast for 2013-14 by:-

- a) spreading the construction cost of the ESF over two financial years (2012-13 and 2013-14)
- b) making earlier than expected efficiency savings from our series of office reviews
- c) deferring some discretionary projects which might otherwise have been scheduled for 2013-14 (eg IT network refresh, replacement of broadcast equipment and energy efficiency investments)
- d) utilising all of the £1.0m central contingency which had been included in the SPCB's 2013-14 indicative forecast.

15. An indicative forecast for 2014-15 will be included as part of the 2013-14 Budget paper to be approved by the SPCB on 31 October. It is anticipated that this will be in line with the long term budget reduction commitment given by the SPCB to the Finance Committee in November 2010 as part of the SPCB's original resource planning exercise.

Resource Implications

16. The budget exercise will determine the level of resources available to the Parliament for 2013-14 and provide an indicative forecast for the subsequent years.

Governance issues

17. The budget setting process is a key element of the SPCB's corporate governance arrangements.

Publication Scheme

18. This report is intended to facilitate a free and frank exchange of views and inform the SPCB's consideration of its draft budget submission. It should not be published until the SPCB's has submitted its budget bid for 2013-14 to the Finance Committee.

Next Steps

19. 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.

20. The Corporate Body will be invited to approve the SPCB's 2013-14 budget proposals at its meeting on 31 October.

Recommendation

21.SPCB is invited to note and comment on preparations for the SPCB's budget submission for 2013-14 and indicative proposals for subsequent years.

Financial Resources Group
September 2012