



The Scottish Parliament  
Pàrlamaid na h-Alba

# **Resource Allocation for Budget 24/25 and Future Years**

**7 December 2023**

**Reference: SPCB (2023) Paper 78**

## **Executive summary**

1. The Corporate Body considered its high-level planning assumptions concerning its budget bid for 2024-25 and its medium-term financial plan for the remainder of the session at its Planning Meeting on 25 September 2023. Further to that discussion, this paper invites Corporate Body to discuss the proposed budget bids for 2024-25 and the indicative forecast for 2025-26. We are due to submit the bid to the Finance & Public Administration Committee by 15 December.
2. This budget bid is the third 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. As with the 2023-24 bid the key challenges we face in the 2024-25 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 2024-25 of £126.6m representing a net £8.9m (7.6%) increase on the current financial year's budget and £6.0m (5.0%) on the indicative 2024-25 budget advised to the Finance and Public Administration Committee.
  - This overall increase of 7.6% is primarily driven by inflation (6.7%); electricity prices at rates well above inflation; Officeholders and software licenses. Unlike the 23/24 Budget when we were able to partially offset the inflationary impacts with a 4.5% increase at a time of 11% inflation, there are no quick wins available for the 24/25 Budget and we are currently about to consider whether we need to adapt any services/contracts at Holyrood in light of changes to footfall and usage post pandemic to ensure we are operating efficiently, and this will be brought forward for a high level discussion with SPCB in 2024.

- Members' pay is increasing in line with the AWE index of 6.7%. This is a change in index selection for 2024-25 moving away from ASHE Mean which has become misaligned with other wage inflation indices over the last few years.
- Members' Expenses increase as a result of indexation.
- 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.
- £1m contingency, as usual, to deal with unforeseen issues and additional in year pressures.
- An increase in the Officeholders' budget of £1.7m (10.0%) driver largely by the Electoral Commission.
- £133.4M indicative bid for 2025-26, a £6.9M (5.5%) increase on the 2024-25 budget bid.

**SPCB is invited to agree the bid for 2024-25; the indicative for 2025-26; and the indices to be used to calculate Members' pay and Members' Staff Cost Provision and Office Cost Provision as per Scheme requirements.**

## **Issues and options**

### **SPCB Staff Pay**

4. The proposed budget of £40.2m for staff pay, shows a £2.9m (7.7%) increase compared to the current year's approved budget and a £1.7m (4.5%) increase compared to the indicative forecast for 2024-25.
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. Discussions with the TUS will take place in due course, once the SPCB has agreed a negotiating remit.
6. The budget bid includes an additional charge of £0.3m resulting from a change to the employer's pension contribution rate arising from the 2020 review of the Civil Service Pension Scheme.
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. 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 2024-25 at £2.1m or 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 £860k, an increase of £42k (5%) from the current year's budget and is marginally higher than the 2024-25 indicative budget by £18k (2.2%).

## **Property Costs**

11. Property Costs of £9.8m show an increase of £1.1m (12.9%) on the 2023-24 budget. The main budget areas are set out below.
12. Rates, at £4.0m, accounts for over 40% of total property costs and is projected to be £0.3m (8.4%) higher than the 2023-24 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 2024-25 and we have assumed an increase of 2p per rateable value pound for 2024-25 projecting an increase of £148k. Following the rateable valuation review in late 2022-23, the assessed rateable value of the building increased at the start of 2023-24 and was not reflected in our budget bid for that year and has also added £165k to our starting budget for 2024-25.
13. Maintenance costs are projected to increase by 6.6% from £2.7m in 2023-24 to £2.9m in 2024-25. 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 2024-25 are projected to rise by £0.4m due to electricity pricing.

## **Running Costs**

15. Running costs of £8.0m mainly consist of the SPCB's outsourced contracts for the provision of goods and services and are £0.7m (9.4%) higher than the 2023-24 budget and are £0.5m (6.2%) higher than the indicative budget for 2024-25. Significant increases are in Parliament-led Events budget to reflect the planned 25 year anniversary events and in software support and maintenance costs. Cost savings in advertising, telephony, photocopying and academic engagement offset some of these increases.

## **Income**

16. The projected income of £274k relates principally to the Parliament shop, and is a slight increase against the 2023-24 budget of £4k

(1.5%). 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 2024-25 budget for revenue and capital projects is £5.3m, which is a marginal inflationary increase on the 2023-24 budget and below the indicative 2024-25 budget. The reason for the below inflation increase is due to the reallocation of funds from projects into running costs of £160k for 25<sup>th</sup> anniversary events.
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 2024-25 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 mechanism directly linking MSP salaries to public sector pay rises in Scotland, using an index taken from 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. Prior to 2015-16 MSP salaries were linked to MP salaries. In 2021-22, the SPCB unanimously agreed that at a time of unprecedented economic crisis, and hardship for so many households, that it would be wholly inappropriate for the ASHE index (5.1%) to be applied from 1 April 2021 to MSP and Ministerial salaries in 2021-22. Instead, the SPCB agreed that Members, Ministers and Presiding Officers would forgo a pay rise and so the SPCB's budget bid to the Finance & Constitution Committee reflected a 0% uplift on those salary rates.
20. ASHE was published on 1 November 2023 and is 5.6%. For the second consecutive year, ASHE is below the other wage inflation indicators, Average Weekly Earnings (AWE) of 6.7% and CPI at 6.7% (compound 23/24 and 24/25 two-year impact of ASHE is 7.2%; compared to AWE at 12.7%). SPCB have discussed whether this remains the relevant index for uprating of 2024-25 salaries and have recommended the adoption of AWE as the index for uprating of MSP salaries for the Budget year 2024-25. The budget has been prepared on the basis of applying a 6.7% uplift to members pay from 1 April 2024. This would equate to a salary of £72,195.

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

21. For last year's Budget, 2023-24 the SPCB chose Average Weekly Earnings (AWE) to uplift the Staff Cost Provision in a move away from the basket approach of indexing Staff Cost Provision annually using a mix of Average Weekly Earnings (AWE) and the ASHE index which had been adopted since Budget 2021-22. General inflation was 10%, the "basket" was 4.1% and AWE was 5.6% at that time.
22. In selecting the 2024-25 uprating index, the SPCB has expressed a preference to continue with AWE for one further year and avoid the greater volatility reflected by the ASHE index during this continued period of inflationary volatility. AWE at publication in November is 6.7%. This would mean a rate of £156,900 per Member. The budget submission includes this assumption.
23. 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%. This rate was applied for the 2023-24 Budget and has been retained for the 2024-25 Budget bid.
24. The combination of a 6.7% uplift rate and the 93% uptake rate is that the overall SCP budget bid for 24-25 is £18.9m. This compares to the 24-25 indicative budget of £18.2m and the Budget 23-24 of £17.7m.
25. Other capped provisions have been increased in line with inflation and uptake rates maintained.

**SPCB is invited to affirm the agreed indexation and note the figure to be applied to for 2024-25 for SCP.**

## **Contingency**

26. In line with indicative for 2024-25 the budget paper contains a general contingency bid to cover:
  - a prudent contingency for emergencies.
  - potential operational cost pressures, which are not yet confirmed or certain.
  - Inflationary pressures on contracts.

## **Commissioner's and Ombudsman's Costs**

12. The Officeholders' draft 2024-25 budget submissions total £18.3m which is £1.7m (10.0%) higher than the current year and £1.2m (7.3%) higher than the indicative. The main changes in these budgets from

2023-24 reflect changes in the Electoral Commission (EC) and the Scottish Public Services Ombudsmen (SPSO).

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

**SPCB is invited to confirm they are content with the Officeholders budget bid for 2024-25.**

## **Indicative 2025-26**

27. Schedule 1 provides an indicative forecast for 2024-25. The indicative proposal for 2025-26 is £133.4m which is a 5.5% increase on the 2024-25 budget submission.
28. This forecast for 2025-26 is heavily caveated. We have based the 2025-26 indicatives on a more sophisticated approach to future indices than adopted previously. This is based on projected Bank of England forward projections and rather than applying a standard rate of inflation to the entire cost base plus any known anticipated cyclical additional requirements, a blended approach to the rate has been adopted to reflect the different drivers for wage inflation and other inflationary factors such as CPI and RPI for contracts plus any known significant additional requirements.
29. The known additional requirements for 2025-26 are anticipated additional costs of £0.6m for Election project costs and in Officeholders, an additional £0.65m in connection with the Patient Safety Commissioner. In future years, further Officeholder costs may arise if legislation is passed for a Victim's Commissioner, a Sustainable and Wellbeing Commissioner, a Disability Commissioner and an Older Person's Commissioner. Costs for these Officeholders or the extension of an existing Officeholder's remit, have not been included in our indicative costs.

## **Publication**

30. This paper can be published after the SPCB has completed giving evidence on the 2024-25 budget to the Finance and Public Administration Committee.

## **Decision**

31. The Corporate Body is invited to approve the budget bid for 2024-25 and the indicative for 2025-26.

**S Glass**

**Chief Financial Officer**

November 2023