



The Scottish Parliament
Pàrlamaid na h-Alba

Resource Allocation for Budget 25/26 and Future Years

28 November 2024

Reference: SPCB (2024) Paper 73

Executive summary

1. The Corporate Body considered its high-level planning assumptions concerning its budget bid for 2025-26 and its medium-term financial plan for the remainder of the session at its Planning Meeting on 29 August 2024. Further to that discussion, this paper invites Corporate Body to discuss the proposed budget bids for 2025-26 and the Indicative for 26-27. We are due to submit the bid to the Finance & Public Administration Committee by 12 December.
2. This budget bid is the fourth and final 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. In the context of tightening public sector finance our focus in this submission has been on ensuring strong financial governance and driving value for money whilst continuing to drive our strategic priorities and protect services in this busy final year of session 6.
3. Our ambition was to submit a 2025-26 Budget bid which was below the 2025-26 Indicative as presented in last year's budget submission. This has been achieved for the "controllable" elements of the Budget which are £0.6m lower than Indicative. However, changes to Employers' National Insurance of £1.9m; and unforeseen additional costs from the Electoral Commission of £2m, partially offset by the delayed Patient Safety Commissioner, mean our headline Budget bid is above Indicative by £2.8m.
4. In summary the bid proposes:
 - A total proposed budget for 2025-26 of £136.2m representing a net £9.7m (7.6%) increase on the current financial year's budget and £2.8m (2.1%) on the indicative 2025-26 budget advised to the Finance and Public Administration Committee.

- Of the £9.7m increase v Budget 2024-25 and £2.8m increase above Indicative 2025-26, £1.9m (1.5%) is due to the recent changes in Employers' National Insurance Contribution (ERNIC) introduced by the new UK Government; and £2m (1.6%) is due to additional costs from the Electoral Commission partially offset by a lower cost of £0.6m due to the delayed Patient Safety Commissioner.
- Members' pay is increasing in line with the AWE index of 3.2%. This is a decision to continue applying the AWE index in 2025-26 following the change in index selection in 2024-25 when SPCB chose to move away from ASHE Mean which has become misaligned with other wage inflation indices during the recent years of inflationary volatility.
- Members' Expenses overall increase by £1.5m (5.4%) on the current year's budget and £0.3m (1.0%) on the indicative 2025-26. This includes an impact of the increase in ERNIC of £0.7m. Staff Cost Provision uplift is proposed at 3.2% based on AWE August data. This use of AWE is aligned with the approach taken in 2023-24 and 2024-25 in a change from previous years when the 'basket' of AWE and ASHE median was applied.
- SPS Staff budget maintains the staffing baseline as agreed in the 2022-23 budget bid. A pay award of 3.8% has been applied based on the negotiated two-year pay deal. Additional ERNIC costs of £0.9m are included.
- Projects are £1m above 2024-25 and in line with 2025-26 Indicative. The increase is driven by the Election Project of £0.7m and inflation.
- £1m contingency, as usual, to deal with unforeseen issues and additional in year pressures.
- An increase in the Officeholders' budget of £3.1m (17%).
- £147.6m indicative bid for 2026-27, a £11.4m (8.4%) increase on the 2025-26 budget bid.

The SPCB is invited to agree the bid for 2025-26; the indicative for 2026-27; 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

5. The proposed budget of £42.9m for staff pay shows a £2.7m (6.8%) increase compared to the current year's approved budget and a £0.9m (2.2%) increase compared to the indicative forecast for 2025-26.
6. There are two main drivers of the increase to staff pay. Inflation and the changes to Employers' National Insurance (ERNIC) introduced in the UK Government Budget.

7. Inflation has been included at a 3.8% increase, to be applied to pay scales on 1 April 2025. The rate of increase is based on the two-year pay deal concluded with the TUS.
8. The budget bid also includes an additional charge of £0.9m resulting from the change to ERNIC introduced in the UK Government Budget.
9. We know from experience that staff turnover in part offsets the net cost of incremental pay progression. This turnover 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 2025-26 at £2.2m or 5% of salaries.
10. 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

11. Staff related costs are budgeted at £0.8m and is marginally lower than the 2024-25 budget by 2.5% and 6.5% lower than the indicative for 2025-26. This has been achieved by driving greater value for money in training costs through the new managed learning service, equivalent to a £30k reduction from 2024-25; and from tasking ourselves to reduce travel & expenses by £10k in line with wider public sector cost reduction behaviour.

Property Costs

12. Property Costs of £10.3m show an increase of £0.5m (4.8%) on the 2024-25 budget and are in line with Indicative 2025-26. The main budget areas are set out below.
13. Rates, at £4.3m, accounts for over 40% of total property costs and is projected to be £0.3m (6.6%) higher than the 2024-25 budget bid. Rates is the biggest driver of the increase in property costs at £0.3m due to 24/25 increases being well above our assumed inflationary increase in the 24/25 budget. The charge is based on a rate in the pound for non-domestic rates set by the Scottish Government which is still to be announced for 2025-26, we have assumed an increase of 6p per rateable value pound for 2025-26.
14. Maintenance costs are projected to increase by 5.7% from £2.9m in 2024-25 to £3.1m in 2025-26. This is due to inflationary cost increases from suppliers and a one-off double running cost of £0.1m associated with BEMS. The nature of maintenance 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.

Running Costs

15. Running costs of £8.2m mainly consist of the SPCB's outsourced contracts for the provision of goods and services and are £0.2m (2.2%) higher than the 2024-25 budget and are £0.2m (-2%) lower than the indicative budget for 2025-26. The initiative to drive cost efficiency savings has resulted in budget reductions of £0.1m including savings in IT costs. In addition, the investment in the corporate systems programme has resulted in lower payroll system costs which are reflected in the budget bid at c£0.1m.

Income

16. The projected income of £244k relates principally to the Parliament shop and is a decrease against the 2024-25 budget of £30k (11%). The decrease is largely offset by lower cost of goods.

Project Expenditure

17. The total amount incorporated in the 2025-26 budget for revenue and capital projects is £6.3m, which is a £1m increase on the 2024-25 budget and exactly in line with the indicative 2025-26 budget. The increase is driven by inflation and the forecast Election project spend in 2025-26 of £0.7m.
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 2025-26 and Schedule 3a includes the major projects in the plan.

Members' Costs

19. From 2015-16 to 2023-24 inclusive, 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. The only one exception being 2021-22 when 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, agreeing instead to forgo a pay rise.

20. The objective of a consistent index was to enable a high level of certainty around these salary costs. That certainty has been tested during recent years of high inflationary volatility, with ASHE being lower than the other wage inflation indicators in 2022-23, 2023-24 and 2024-25. In 2024-25 despite expectations of a “catch-up” ASHE remained below the other wage inflation indicators and as such the SPCB chose to adopt the AWE index instead of ASHE. Prior to 2015-16 MSP salaries were linked to MP salaries.
21. Latest publications for AWE and ASHE show rates of 3.2% and 6.7% respectively. SPCB have discussed and having made the switch to AWE in 2024-25 they recommend the continued application of AWE as the index for uprating of MSP salaries for the Budget year 2025-26. The schedules have been prepared based on applying a 3.2% uplift to members pay from 1 April 2025. This would equate to a salary of £74,506.
22. The changes to ERNIC are reflected in the Budget bid and are an additional cost of £0.2m in Members’ Pay.

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

23. For both 2023-24 and 2024-25 Budgets 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.
24. In selecting the 2025-26 uprating index, the SPCB has expressed a preference to continue with AWE for the remainder of Session 6. AWE is 3.2%. This would mean a rate of £161,600 per Member. The budget submission includes this assumption.
25. 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 and 2024-25 Budget and has been retained for the 2025-26 Budget bid.
26. The changes to ERNIC are reflected in the Budget bid and are an additional cost of £0.7m in Staff Cost Provision costs.
27. The combination of a 3.2% uplift rate; the 93% uptake rate and the increased ERNIC is that the overall SCP budget bid for 25-26 is £19.4m. This compares to the 25-26 indicative budget of £19.7m and the Budget 24-25 of £18.8m.
28. Other capped provisions have been increased in line with inflation and uptake rates maintained.

The SPCB is invited to affirm the agreed indexation and note the figure to be applied to for 2025-26 for SCP.

Contingency

29. In line with indicative for 2025-26 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.

Commissioner's and Ombudsman's Costs

30. The Officeholders' draft 2025-26 budget submissions total £21.4m which is £3.1m (17%) higher than the current year and £1.7m (8.6%) higher than the indicative. There are above inflation and ERNIC increases in many of the Officeholders and a +£2.1m (99%) increase in the Electoral Commission (EC). In the Budget bid for 2025-26, Officeholders account for 15.7% of the total SPCB Budget, increasing from 14.5% in 2024-25.
31. 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 2025-26.

Indicative 2026-27

32. Schedule 1 provides an indicative forecast for 2026-27. The indicative proposal for 2026-27 is £147.6m which is an 8.4% increase on the 2025-26 budget submission.
33. This forecast for 2026-27 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 OBR inflationary rates 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.
34. The known additional requirements for 2026-27 are anticipated costs of £5m for Election Contingency; £0.7m for Election Project and in Officeholders, an additional £0.65m in connection with the Patient Safety Commissioner and a further £1.3m for the Electoral Commission. 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 Scheme

35. This paper can be published after the SPCB has completed giving evidence on the 2025-26 budget to the Finance and Public Administration Committee.

Decision

36. The Corporate Body is invited to approve the budget bid for 2025-26 and the indicative for 2026-27.

S Glass

Chief Financial Officer

November 2024