

## **SPCB BUDGET ASSUMPTIONS 2012-13**

### **Executive Summary**

1. The Corporate Body is invited to approve the assumptions on which the SPCB's budget bid for 2012-13 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, the SPCB has consistently set its budget at a level which is in line with, or a reducing proportion of the SCF.
3. 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.
4. Following a thorough resource planning exercise last year, the SPCB provided an indicative forecast to the Finance Committee of its revenue and capital expenditure plans through to 2014-15. These proposals deliver an overall saving of 12% in real terms over this period (as measured against the SPCB's 2010-11 budget) and incorporate a real terms reduction of 15.4% in the cost of the Scottish Parliamentary Service.
5. The SPCB's indicative forecast of revenue and capital expenditure for 2012-13 was £73.8m.
6. The SPCB is invited to consider the assumptions to be used in preparing its 2012-13 budget submission in the context of the longer term funding position noted above. The proposed assumptions are set out in Annex 1. 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 2012-13, as previously advised to the Finance Committee. - ie a total budget for revenue and capital expenditure of £73.8m (excluding capital charges).

### **Resource Implications**

7. The budget exercise will determine the level of resources available to the Parliament for 2012-13.

### **Governance issues**

8. There are no governance issues relating to the budget assumptions.

### **Publication Scheme**

9. This paper will be published.

### **Next Steps**

10. 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.
11. Detailed preparations to produce a 2012-13 budget bid will commence, culminating in groups 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.

### **Recommendation**

12. SPCB is invited to agree the budgetary assumptions to be made when preparing the 2012-13 budget submission and in particular our recommendation that, for budget planning purposes, we aim to set the 2012-13 budget at £73.8m as advised to the Finance Committee in November 2010.

## **SPCB BUDGET ASSUMPTIONS 2012-13**

1. This annex sets out the proposed assumptions on which the 2012-13 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 (32.4%) of SPCB's approved £74.0m revenue expenditure budget for 2011-12 is determined by external factors in respect of MSP pay & expense (£24.0m), where the budget is largely committed by Parliamentary resolution / legislation. The funding for Officeholders of £8.4m (11.4%) is also subject to different governance arrangements from the rest of the SPCB's budget. This leaves £41.6m (56.2% of its 2011-12 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 (£22.4m or 30.2% of the total revenue budget) is accounted for by staff pay. The remaining £19.2m (25.9%) covers the general running and property costs of the organisation, including projects.
3. The SPCB's 2011-12 budget submission identifies capital expenditure of £1.3m separately, resulting in a total expenditure budget, for both categories of expenditure, of £75.3m. (excluding capital charges)
4. The indicative 2012-13 expenditure forecast, for both revenue and capital, advised to the Finance Committee in November 2010 was £73.8m, 2.0% below the 2011-12 budget.

### **Budget Assumptions**

5. The following assumptions are currently being made in the preparation of the proposed SPCB 2012-13 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) For initial planning purposes, we will assume that the types of services provided to members and the public in the current financial year will broadly continue in 2012-13. This will be informed by the outcome of office reviews which are being carried out as part of the change management programme.
  - c) Staff pay budgets are calculated on the basis of current pay scales for existing permanent staff, including contractual increments due. Staff pay rates are frozen until 31 March 2013.

- 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 informed by the outcome of Office reviews which have concluded at the time of setting the budget.
  - 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. We have agreed contract price adjustments for the current financial year to date at significantly less than the published inflation rate.
  - f) Current arrangements for MSP pay (as a fixed percentage of a MP’s salary) continue and the pay freeze remains throughout 2012-13.
  - g) Similarly, the budget for Members’ Expenses and the associated limits for provisions within the scheme will remain frozen throughout 2012-13 at the 2010-11 level in cash terms.
  - 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. For planning purposes, we propose to work within the indicative forecast for 2012-13, as previously advised to the Finance Committee. - ie a total budget for revenue and capital expenditure of £73.8m (excluding capital charges).
  - j) Proposed group budgets will also be reviewed against the agreed saving targets in the Change Management Programme.
6. This year, as for the 2011-12 budget process, we will continue to identify and separately estimate the costs of projects as distinct from our normal recurring expenditure within the overall budget. This will ensure project budgeting and expenditure will be much more clearly visible. The direct salary costs of permanent staff will continue to be budgeted against the relevant group or office budgets rather than allocated to projects.
7. The SPCB will be invited to consider and approve the 2012-13 budget submissions from Commissioners and Ombudsman at a separate meeting in September/October.

8. In addition to the detailed budget bid for 2012-13, we will prepare indicative forecasts for 2013-14 and 2014-15.