



The Scottish Parliament  
Pàrlamaid na h-Alba

**The Presiding Officer**  
Tricia Marwick MSP

Kenneth Gibson MSP  
Convener, Finance Committee  
The Scottish Parliament  
T3.60

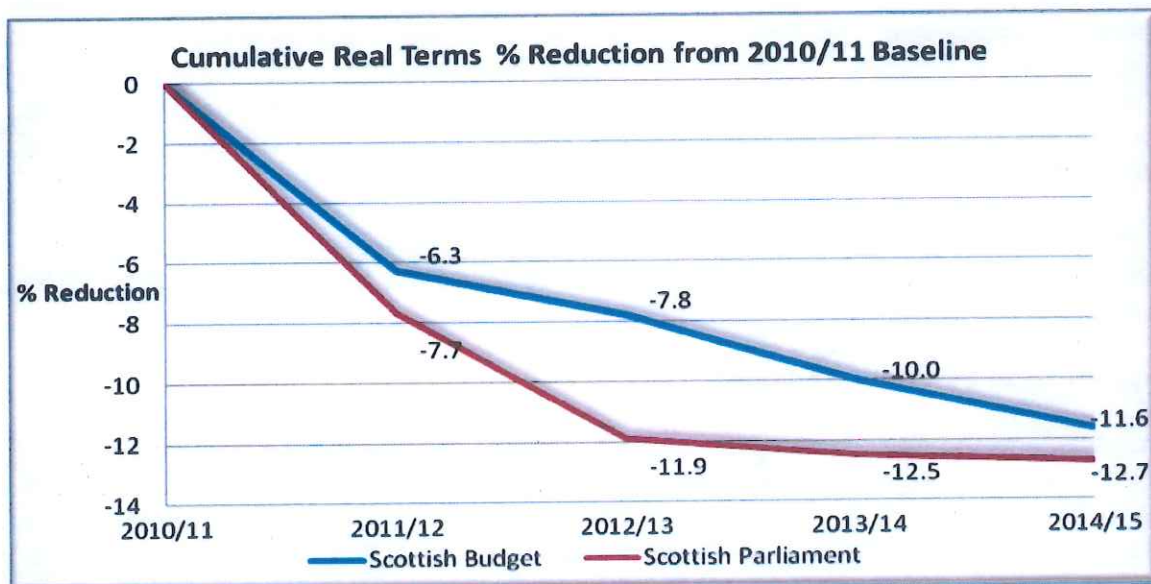
8 November 2012

*Dear Kenneth*

#### **SPCB BUDGET SUBMISSION FOR 2013-14**

I am pleased to submit our budget bid for the financial year 2013-14, which demonstrates how the SPCB is playing its part in responding to the financial pressures facing public sector finances over the coming years.

As advised to the Finance Committee in previous years, the SPCB has committed to reduce its budget 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 terms reductions in the SPCB's budget<sup>1</sup>, measured against the equivalent reductions in the overall Scottish Budget for the four years from the 2010-11 baseline through to 2014-15.



<sup>1</sup> Real terms savings are calculated by reference to latest published Treasury GDP deflators. SPCB budget figures exclude capital charges and non-cash items. Scottish Budget figures show Total DEL expenditure.

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 four year period. We first advised the Finance Committee of our projected budget savings for 2011-12 through to 2014-15 in November 2010 and confirmed these savings in November 2011. Following a successful change management programme to deliver these targeted savings, our current budget proposals remain unchanged from the figures we committed to in those indicative forecasts.

Our drive to improve efficiency has been achieved against a backdrop where the demands on the Parliamentary Service have remained strong. Indeed, we expect those demands to increase, as we continue to support the Parliament in meeting the heavy workload expected over the next two years.

### **Headline figures**

The SPCB has identified a total budget requirement, including capital charges and non-cash items, of £86.9m for 2013-14, as shown on the attached schedule 1. This represents an increase in cash terms of £0.5m (0.7%) compared to the current year budget of £86.4m. This equates to a real terms reduction of 1.8%. Schedule 1 also sets out indicative estimates for the 2014-15 financial year.

The directly controllable costs of the Parliamentary Service are budgeted at £42.6m for 2013-14, an increase in cash terms of £1.1m (2.5%) compared to the current year and unchanged in real terms.

Excluding the capital charges and non-cash items, which do not represent a cash funding requirement, the total SPCB budget submission for revenue and capital expenditure is £75.1m, £1.4m (1.8%) higher than the approved 2012-13 budget. This is fully in line with the indicative 2013-14 forecast advised to the Finance Committee last year. Relative to the baseline year of 2010-11, the proposed budget for 2013-14 represents a reduction in real terms of 12.5%.

I attach an analysis of our budget bid (schedule 2) together with a briefing paper (schedule 3) and further analysis schedules to assist the Finance Committee in its scrutiny of our budget bid.

### **Approach to setting the budget**

In addition to the savings resulting from our change management programme, which examined every aspect of the Parliament's operations, the Finance Committee will be aware that we have also held our costs down through a 2 year pay freeze to March 2013, which covered Parliament staff, Members and Members' expenses. Going forward, our budget proposal for 2013-14 assumes a 1% pay increase for MSPs in line with IPSA's recent announcement on MPs salaries, and for SPCB staff our budget proposal incorporates a modest provision for future pay settlements in



line with current public sector pay projections. Following the completion of the 2 year freeze, Members' office cost and staff cost limits will once more be uprated in line with the appropriate inflation indices with effect from April 2013.

The proposed 2013-14 budget includes the projected cost of the External Security Facility (ESF), which was approved by the SPCB on 6 September 2012. It has been possible to accommodate the planned 2013-14 expenditure on the ESF within the SPCB's previous overall indicative forecast by:-

- spreading the construction cost of the ESF over two financial years (2012-13 and 2013-14).
- making earlier than expected efficiency savings from our series of office reviews.
- deferring some discretionary projects.
- utilising £0.5m of the central contingency which had been included in the SPCB's 2013-14 indicative forecast.

### **Commissioners and Ombudsman**

Recognising the need to reduce expenditure in line with other public sector budgets, the SPCB set the Parliament's Commissioners and Ombudsman the same savings target as for the Parliamentary Service. The Officeholders have successfully achieved this savings target in each of their 2013-14 budget submissions and, in aggregate, the Officeholders' budgets have now reduced by £1.0m (11.0%) in cash terms since the 2010-11 baseline, equivalent to a real terms reduction of 17.4%.

At £8.1m, the 2013-14 budget proposals for funding of the Commissioners and Ombudsman accounts for 11.2% of the SPCB's net revenue expenditure budget. This is a reduction of £171k (2.1%) compared to the equivalent 2012-13 budget, a decrease in real terms of 4.5%. The individual submissions in respect of each Officeholder are set out in schedule 4.

We have a challenging responsibility to balance the financial impact on the public purse of these budget proposals with the need to ensure that Officeholders are funded to undertake their statutory responsibilities.

### **Indicative Forecasts for 2014-15**

Schedule 2 also provides an analysis of our indicative revenue and capital expenditure forecast for 2014-15.

We have projected forward our revenue and capital expenditure plans through to 2014-15, the full period covered by the Comprehensive Spending Review. Our budget proposals will deliver overall savings of 12.7% in real terms over this period. This incorporates a real terms reduction of 15.7% in the directly controllable costs of the Scottish Parliamentary Service, in line with our earlier estimates. While this represents a significant reduction in our resources, we are well placed to meet the challenge as a result of the detailed resource planning process that we have

undertaken and the resultant improvements in efficiency. Nonetheless, the challenges ahead remain considerable.

We will be happy to expand on any aspects of our budget submission when we give evidence to you on 14 November.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tricia', with a stylized flourish at the end.

**TRICIA MARWICK**

SCOTTISH PARLIAMENTARY CORPORATE BODYBUDGET SUBMISSION 2013-14

	Approved Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Indicative Forecast 2014-15 £'000
<b>A) REVENUE</b>			
Net Revenue Expenditure ( Schedule 2)	72,289	72,148	74,732
<b>B) CAPITAL</b>			
Capital Expenditure ( Schedule 2)	1,500	3,000	2,100
<b>C) TOTAL EXPENDITURE EXCLUDING CAPITAL CHARGES AND NON CASH ITEMS (A+B)</b>			
Net Revenue and Capital Expenditure	73,789	75,148	76,832
<b>D) CAPITAL CHARGES AND NON CASH ITEMS</b>			
Total Capital Charges and non cash items (schedule 3)	12,600	11,764	11,964
<b>E) TOTAL EXPENDITURE INCLUDING CAPITAL CHARGES AND NON CASH ITEMS (C+D)</b>			
Total Net Expenditure	86,389	86,912	88,796



<b>Net Revenue and Capital Budget</b>	<b>Approved Budget 2012-13 £'000</b>	<b>Budget Bid 2013-14 £'000</b>	<b>Indicative Forecast 2014-15 £'000</b>
<b>Revenue Expenditure</b>			
<b>Recurring Annual Costs</b>			
Staff Pay	21,935	21,977	22,571
Staff Related and General Costs	834	808	783
Property Costs	7,714	7,995	8,388
Running Costs	7,147	7,022	7,365
	<u>37,630</u>	<u>37,802</u>	<u>39,107</u>
<b>Projects and One-Off Costs</b>			
Revenue Projects	<u>1,380</u>	<u>1,500</u>	<u>1,500</u>
<b>Total Parliamentary Service Costs</b>	<u>39,010</u>	<u>39,302</u>	<u>40,607</u>
<b>MSPs' and Officeholders' Costs</b>			
MSP Pay	11,121	11,250	11,475
MSP Office, Staff and Accom. Costs etc.	12,912	13,261	13,619
Commissioners & Ombudsman Costs	<u>8,230</u>	<u>8,059</u>	<u>8,265</u>
<b>Total MSPs' &amp; Officeholders' Costs</b>	<u>32,263</u>	<u>32,570</u>	<u>33,359</u>
<b>Contingency</b>	1,250	500	1,000
<b>Total Revenue Expenditure</b>	<u>72,523</u>	<u>72,372</u>	<u>74,966</u>
<b>Less:- Income</b>	(234)	(224)	(234)
<b>Total Net Revenue Expenditure</b>	<u>72,289</u>	<u>72,148</u>	<u>74,732</u>
<b>Capital Expenditure</b>			
Capital Expenditure	1,500	3,000	2,100
<b>Total Capital Expenditure</b>	<u>1,500</u>	<u>3,000</u>	<u>2,100</u>
<b>Total Net Revenue and Capital Expenditure</b>	<u>73,789</u>	<u>75,148</u>	<u>76,832</u>
<b>Memorandum:-</b>			
<b>Directly Controllable Parliamentary Service Costs</b>	41,526	42,578	43,473
Total Expenditure less MSPs' and Officeholders' Costs			





**Finance Committee Briefing 14 November 2012 - SPCB Net Revenue and Capital Budget**

The net revenue and capital expenditure of the SPCB is forecast to increase from £73.8m in 2012-13 to £75.2m in 2013-14, a increase of £1.4m (1.9%) in cash terms (equivalent to a real terms reduction of 0.6%). The main elements of this are:-

	<b>Budget 2012-13 £'000</b>	<b>Budget Bid 2013-14 £'000</b>	<b>Increase / (decrease) £'000</b>	<b>%</b>	<b>Comments</b>
Staff Pay	21,935	21,977	42	0.2%	<p>Staff pay including use of contractors is budgeted at £22.0m – an increase of £42k (0.2% in cash terms) on the 2012-13 budget. Since the baseline year of 2010-11, the staff pay budget has reduced by £1.1m (4.9%) in cash terms. (Equivalent to a real terms reduction of 11.8%).</p> <p>The budget reflects the reduction in staff costs arising from the reviews of staffing requirements across the organisation and incorporates the outcome of the senior management review and the VER/ES scheme undertaken by the SPCB in 2010-11.</p> <p>The proposed staff pay budget for 2013-14 and beyond incorporates a modest provision for future pay settlements in line with current public sector pay projections.</p> <p>The staff pay budget takes account of the projected movement of staff up 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. However, we know from experience that</p>

### Schedule 3

					Comments
	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000	%	
					staff turnover reduces the net cost of this 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 2% of salaries for 2013-14, unchanged from 2012-13 budget. This reflects the continuing lower levels of staff turnover expected in the current economic climate.
Staff Related Costs	834	808	(26)	(3.1%)	Staff-related costs, which include travel & expenses and training, are budgeted at £0.8m, £26k (3.1%) less than the current financial year. Given the need to maintain levels of service as overall staff numbers are reduced, in order to achieve the real terms reductions in the staff pay budget, it will be important to ensure that adequate budgets remain available for staff support and redeployment, particularly through training in new systems and skills.
Property Costs	7,714	7,995	281	3.6%	Property Costs comprise :- £k • Rates 4,524 • Maintenance 1,838 • Utilities 946 • Cleaning 500 • Other 188 <u>7,995</u>

# Schedule 3

	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000 %	Comments
				<p>Property Costs of £8.0m show a net increase of £281k (3.6%) on the 2012-13 budget. Rates, at £4.5m, account for over half of total property costs and £236k of the increase.</p> <p>Maintenance costs are projected to increase by 4.0% from £1,768k in 2012-13 to £1,838k in 2013-14. 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.</p> <p>All other property costs remain broadly at 2012-13 levels for next year.</p>
Running Costs	7,147	7,022	(125) (1.7%)	<p>Running costs of £7.0m are projected to decrease by £125k (1.7%) over the 2012-13 budget levels. Running costs mainly consist of the SPCB's outsourced contracts for the provision of goods and services. Within the overall running costs total, inflation linked increases in respect of the IT support contract have been more than offset by reduced costs elsewhere, including those projected for restaurant services and mail screening.</p>
Revenue Projects	1,380	1,500	120 8.7%	<p>Project expenditure is budgeted separately from recurring annual costs to provide greater transparency in our management reporting. The projects planned for 2013-14 comprise:-</p> <p>Building Maintenance Projects</p>
				<p>£k 785</p>



### Schedule 3

	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000	%	Comments
					FM Equipment Replacement Projects in Development Systems Improvements Carbon Management Improvement Programme Lighting Improvements Change Requests  <div style="text-align: right;">             191              179              125              80              75              65  <hr/> <b>1,500</b> </div>
MSP Pay	11,121	11,250	129	1.2%	The budget for 2013-14 assumes that salaries will be increased by 1%, in line with IPSA's recent announcement on MP salaries (to which MSP salaries are linked at 87.5%). It should be noted that the year on year increase of £129k (1.2%) in the proposed MSP pay budget varies slightly from this figure as a result of two offsetting factors:-  <div style="margin-left: 40px;">             - an increase in the number of ministerial posts in the Scottish Government, compared to the SPCB's 2012-13 budget.              - A 0.8% decrease in the SPCB's employers' contribution to the Members pension scheme.           </div>
MSP Staff and Office Costs	12,912	13,261	349	2.7%	Members' Costs are budgeted at £13.3m, in line with the indicative forecast set last year. This represents an increase of £349k (2.7%) on the 2012-13 budget and follows a 2 year freeze in Members' Expenses, which was agreed by the Parliament. At the end of this period, the standard uprating provisions of the Members Expenses Scheme will resume.



### Schedule 3

	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000 %	Comments
				<p>The budget is calculated on the following assumptions:-</p> <ul style="list-style-type: none"> <li>- the Office Cost, Staff Cost and other relevant provisions will be updated in line with the appropriate inflation indices from 1 April 2013</li> <li>- not all members will claim the full entitlement, reflecting our experience of the scheme to date.</li> </ul>
Commissioners & Ombudsman	8,230	8,059	(171) (2.1%)	<p>The Officeholders' budget submission for 2013-14 totals £8,059k, which represents a reduction of 2.1% in cash terms compared to 2012-13. A summary of the individual officeholder budget submissions is shown in schedule 4.</p> <p>This represents a reduction of 11.0% in cash terms on the baseline of 2010-11, which exceeds the overall target of 9.2% we had set for 2013-14. In real terms, the cumulative saving equates to 17.4%.</p> <p>The level of contingency provided directly within the Commissioners' and Ombudsman's budget is set at £300k for 2013-14, £50k higher than for the current year. This is to make some provision for potential one-off relocation costs in respect of the officeholders, which would enable us to secure savings in the medium term.</p>
Contingency	1,250	500	(750) (60%)	<p>The £500k contingency proposed has been restricted to £0.5m to cover emergency / unforeseen issues.</p>

### Schedule 3

	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000 %		Comments
Income	(234)	(224)	10	4.3%	Budgeted income for 2013-14 is wholly attributable to the Parliament Shop.
Capital Expenditure	1,500	3,000	1,500	100 %	The capital expenditure budget for 2013-14 incorporates £2.4m for the External Security Facility and £600k for technology refresh and hardware updates.
<b>Total Net Revenue and Capital Budget</b>	<b>73,787</b>	<b>75,148</b>	<b>1,361</b>	<b>1.8%</b>	

## Analysis of Capital Charges and Non-Cash Items (Schedule 1)

Capital Charges and Non-Cash Items	Budget 2012-13 £'000	Budget Bid 2013-14 £'000	Increase / (decrease) £'000	%	Comments
<b>DEL</b>					
Depreciation	11,521	10,700	(821)	(7.1%)	Depreciation on the Holyrood Building is calculated on valuation figures. Projected increases to asset values are estimated on the basis of GDP Deflators
Audit Fee	79	64	(15)	(19.0%)	A decrease in Audit Fee is envisaged in line with the planned reduction in Audit Scotland fees as set out in the Audit Scotland Fee strategy of September 2012 and in line with the actual fee for the SPCB's 2011-12 audit.
<b>Total DEL Capital Charges and non-cash items</b>	<b>11,600</b>	<b>10,764</b>	<b>(836)</b>	<b>(7.2%)</b>	
<b>AME</b>					
Pension Finance (net)	1,000	1,000	0	0.0%	The pension finance AME charge represents a provision for potential notional funding costs for the Members' pension fund arising from the movement of actuarial factors.
<b>Total AME capital charges and non-cash items</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>	<b>0.0%</b>	
<b>Total Capital and non-cash charges DEL + AME</b>	<b>12,600</b>	<b>11,764</b>	<b>(836)</b>	<b>(6.6%)</b>	





## Commissioners and Ombudsman Budget Bid 2013-14

	Approved Budget 2010/11 Baseline	Approved Budget 2012-13 £'000	Budget Bid 2013-14 £'000	2013/14 Increase/(decrease) vs 2012-13 approved budget £'000	2013/14 Increase/(decrease) 2012-13 approved budget %	2013/14 Saving % v 2010/11 baseline in Cash Terms	2013/14 Saving % v 2010/11 baseline in Real Terms
Office							
Public Services Ombudsman (see note 1)	3,774	3,292	3,207	(85)	(2.6%)	(15.0%)	(21.1%)
Scottish Information Commissioner	1,535	1,463	1,394	(69)	(4.7%)	(9.2%)	(15.7%)
Children and Young people	1,350	1,234	1,226	(8)	(0.6%)	(9.2%)	(15.7%)
Commission for Human Rights	1,000	944	909	(35)	(3.7%)	(9.1%)	(15.6%)
Ethical Standards Standards Commission	888	814	797	(17)	(2.1%)	(10.2%)	(16.7%)
Standards Commission	255	233	226	(7)	(3.0%)	(11.4%)	(17.7%)
<b>Total</b>	<b>8,802</b>	<b>7,980</b>	<b>7,759</b>	<b>(221)</b>	<b>(2.8%)</b>	<b>(11.8%)</b>	<b>(18.2%)</b>
Central contingency for legal action etc (see Note 2)	250	250	300	50	20.0%	20.0%	11.4%
<b>Total</b>	<b>9,052</b>	<b>8,230</b>	<b>8,059</b>	<b>(171)</b>	<b>(2.1%)</b>	<b>(11.0%)</b>	<b>(17.4%)</b>

Note 1 - The baseline for 2010-11 was revised upwards by £204k to include costs for water complaints which were transferred from Waterwatch to the Public Services Ombudsman in August 2011.

Note 2 : The amount drawn down against the 2011-12 contingency was £240k in respect of a new case management system for the Scottish Information Commissioner.



**Schedule 5****SPCB Statement of Financial Position**

	<b>31 Mar 2012 Actual (£k)</b>	<b>31 Mar 2013 Projected (£k)</b>	<b>31 Mar 2014 Projected (£k)</b>
<b>Non current assets</b>			
Holyrood land and buildings	301,931	304,767	306,102
Other fixed assets	4,607	2,806	2,253
<b>Total non current assets</b>	<b>306,538</b>	<b>307,573</b>	<b>308,355</b>
<b>Current assets</b>			
Inventories	273	273	273
Trade and other receivables	1,028	1,028	1,028
Cash and cash equivalents	1,173	1,173	1,173
<b>Total current assets</b>	<b>2,474</b>	<b>2,474</b>	<b>2,474</b>
<b>Total assets</b>	<b>309,012</b>	<b>310,047</b>	<b>310,829</b>
<b>Liabilities</b> (including current and non current)	<b>(12,752)</b>	<b>(12,361)</b>	<b>(12,092)</b>
<b>Assets less liabilities</b>	<b>296,260</b>	<b>297,686</b>	<b>298,737</b>
<b>Taxpayers' equity</b>			
General fund	264,188	258,358	252,172
Revaluation reserve	37,449	44,705	51,942
Pension reserve	(5,377)	(5,377)	(5,377)
<b>Total taxpayers' equity</b>	<b>296,260</b>	<b>297,686</b>	<b>298,737</b>

