

Mr Simon Thomas AM
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30 January 2018

Dear Simon

National Assembly for Wales's Remuneration Board's Determination Underspend.

Thank you for your letter of 8 December 2017 requesting information on how the Scottish Parliament Corporate Body (SPCB) budgets for expenditure related to members' pay and allowances. In line with the Code of Audit Practice and the wider audit dimensions, we review the financial management of audited bodies and referred to this in our Annual Audit Report on the 2016/17 audit of the Scottish Parliamentary Corporate Body (2016/17 annual audit report.)

Annual budget process

The SPCB must comply with the Public Finance and Accountability (Scotland) Act 2000 which provides that expenditure by the Scottish Administration and other bodies funded directly by the Scottish Consolidated Fund must be authorised on an annual basis by the Budget Act.

The SPCB's budget "top slices" the Scottish Consolidated Fund and therefore reduces the total amount of budget available to Scottish Ministers. The SPCB prepares an annual budget submission for approval by the Finance and Constitution Committee of the Scottish Parliament. Following Parliamentary approval, the SPCB budget is then published within the Budget Act. The SPCB cannot exceed the level of income and expenditure approved by the Budget Act.

Budget forecasts

There is a set basis for the calculation of MSPs' annual pay budget. This is calculated on the basis that MSP pay will be updated annually on 1 April by a mechanism which links MSP salaries to levels of public sector pay rises in Scotland (the Annual Survey of Hours and Earnings).

The annual budget for members' expenses and support costs such as office costs, staffing and accommodation reflect the limits set by the Reimbursement of Members' Expenses Scheme set up by the Resolution of the Parliament dated 12 June 2008 (last revised on 15 March 2016). It is assumed that not all Members will claim the full entitlement every year, with estimates based on the experience of the scheme to date and trends from previous years.

Reporting budget underspends

Performance against budgets is monitored throughout the year. The Corporate Body receives Finance Reports which report actual spend against year to date budgets for members' costs analysed across the headings of MSP and Officeholders Pay, MSP Expenses and Pay Assistance. These reports are public documents and are available to access from the Parliament's website.

In addition basic information on budget underspends is provided in the SPCB's annual report and accounts. In 2016/17, the SPCB included an explanation for the total budget underspend in the notes to the accounts, including an outline of the reason for the budget underspend against Members expenses.

There is more detailed information included on individual MSPs' expenses on the Scottish Parliament's website. This information can be broken down by monthly periods, allowance and expenditure types. However, it does not contain an assessment against the budget on either an individual or total basis.

Our Annual Audit Report on the 2016/17 Audit of the SPCB included a recommendation to include more details of the main categories of expenditure on Members costs in the annual report and accounts. We will follow up the action taken by management on this issue as part of our 2017/18 audit.

Utilising budget underspends

The SPCB can apply budget underspends to fund other SPCB projects without the formal approval of the Scottish Parliament's Finance and Constitution Committee. The reallocation of budgets across expenditure lines is approved by the SPCB's Strategic Resources Board, made up from members of the senior management team. This approach also applies to budget underspends against member costs. Any budget underspends remaining at the year end cannot be carried forward

I trust that you will find this information helpful to your inquiry.

If you require any further information please contact Elaine Barrowman, Senior Audit Manager on 0131 625 1922 or ebarrowman@audit-scotland.gov.uk.

Yours sincerely



Caroline Gardner
Auditor General for Scotland