

MANAGEMENT BOARD**CORPORATE BUSINESS PLAN 2010/11: UPDATE**

Paper by the Director General Resources and Head of the Office of the Chief Executive

Purpose

1. This paper updates the Board following the Departmental challenge meetings and is intended to help the Board formulate its proposals to the Finance & Services Committee (F&S) at the end of the month. It should be read in conjunction with the 2009/10 Mid-Year Forecast Outturn paper (MB2009.P.100).

Action for the Board

2. The Board is asked:
 - (i) to agree on the main budget proposal to be presented to F&S as “Plan A”, and, in particular, whether, given the history of underspend, to plan to deliver all the services proposed by Departments within a level baseline budget;
 - (ii) to consider what additional and reduced services should be offered to F&S under the plus and minus options;
 - (iii) to consider what approach to take to ensure that we can achieve a downward trajectory of costs in future years.

Business Planning Timetable

3. F&S will meet on 29 October to formulate their advice to the Commission on the 2010/11 Estimate and indicative baselines for the following two financial years. A paper from the Management Board will need to be submitted by 23 October.

Decisions made in September

4. In September the Board agreed to propose a flat baseline to F&S, requiring the House Service to absorb pay awards, inflation uplifts and new initiatives within the existing £258 million resource Administration Estimate agreed for 2009/10. With the final year of the three year pay deal for Band A to E falling in 2010/11 this would require departments to absorb around 2.5% of additional expense in-year.
5. The Board agreed that in addition to its main budget proposal (“Plan A”) it would offer F&S a “plus option” offering the possibility of new substantive services at additional cost (eg increased support for Members in the constituency) and a “minus option” offering the possibility of a reduced budget (eg by reducing lower priority services or by ending the catering subsidy).

6. For 2011/12 and 2012/13, the Board agreed that resource expenditure should be on a downward trajectory. It wished to demonstrate a clear commitment to reduce the costs of operating Parliament over a five year period. It made no decision on the size of that reduction.
7. In order to achieve a cost reduction in subsequent years, it agreed that the priority for 2010/11 should be on “spend to save” projects. Given the likelihood of underspend in 2009/10, opportunities to bring forward investment into the current year should be explored as part of the challenge process.
8. The Board agreed that, if there was a demand from politicians for a big cut in the budget (as suggested in recent policy announcements), it would be better to stop providing some low priority services, rather than reduce the quality of services provided to Members,
9. The Board agreed that the strategy should be to reduce staff costs as part of an overall reduction in the costs of operating Parliament. A paper will be brought to the Board in November exploring the mechanisms for achieving this.

Summary of budget bids

10. A summary of the planning bids received (see Appendix for further details) shows an upward expenditure profile even after future pay awards and inflationary increases have been absorbed.

All figures £000

	2008/09		2009/10		2010/11	2011/12	2012/13
	Outturn	Budget	Outturn	Variance			
Resource	234,596	258,000	252,263	5,737	268,683	272,243	267,887
Capital	9,631	19,500	10,968	8,532	29,664	58,898	79,431

11. For resource this shows an increase of over £10 million for 2010/11 primarily arising from:

	£ million
E-petitions	0.9
ICT investment	2.0
Procedural systems	0.8
Hansard reporting	1.8
PIMS	0.3
SPIRE	0.9
HAIS development	3.0
Works	<u>4.7</u>
	13.7
Less: reductions	<u>(3.7)</u>
	10.7

12. The remainder of the planning period (i.e. 20011/12 and 2012/13) shows a similar trend primarily because of additional spend on Works projects.
13. A significant increase in the capital requirement over the planning period arises from:

	£ million		
	2010/11	2011/12	2012/13
Replacement Chamber cameras	0.9	1.3	0.0
Redevelopment of the bookshop	0.9	0.0	0.0
Works: Fire safety upgrade	2.0	3.0	5.5
M & E modernisation	5.7	10.8	29.5
14 Tothill Street	2.2	0.0	0.0
Portcullis House entrance	0.0	1.9	1.9
Road barriers	2.1	3.6	2.1
Derby Gate refurbishment	1.8	4.2	2.8
Programme adjustment	(4.4)	6.8	11.2
53 Parliament Street	(5.0)	0.0	0.0
ICT: Infrastructure investment	<u>4.0</u>	<u>7.8</u>	<u>6.7</u>
	10.2	39.4	59.9

14. Although these capital investments involve a cash cost they do not score directly against resource consumption, except through the depreciation charge over the life of the asset.

Levelling the budget for 2010/11

15. While the bids amount to an increase in £10 million over this year's Estimate, our history of over-forecast and underspend suggests that we could plan to do all the work bid for within a level budget. There may even be some scope to undertake additional tasks or invest further in ICT or the Works programme.
16. The final financial outturn for 2008/09 saw a resource outturn of £234.6 million and an underspend of £9.4 million against an earlier mid-year forecast underspend of £5.2 million. The 2009/10 mid-year forecast is suggesting a similar underspend of £5.7 million which could grow to, say, £10 million if the experience of recent years is repeated (see MB2009.P.100). It seems likely that the pattern of underspend will continue in 2010/11, either because Departments do not deliver all that they plan to deliver, or they do deliver but at a reduced cost.
17. While absorbing the 2010/11 pay award and other inflation impacts will add around £6 million to costs, or 2.5% of the overall levels of current expenditure, it should be possible to absorb these uplifts within existing levels of provision without directly impacting on service delivery. Any pay awards for the years beyond 2010/11 are likely to be small.
18. Of course, this approach carries an element of risk that budgets will prove too tight. In that event, it would be possible to seek a Supplementary Estimate, perhaps on the grounds of new services agreed by the House (e.g.

e-petitions). Alternatively, the Board could agree to put off some of the lower priority investment projects. However, if the General Election were to take place in 2010/11 then the normal level of expenditure on front line services would be curtailed during the year. This should provide the scope to deal with any additional budgetary pressures in-year.

19. **Is the Board content to run with a level baseline of £258 million over the planning period, using potential budget surpluses to meet pay awards and other inflationary pressures, while continuing to provide additional investment in ICT and the Estates programme?**
20. If the Board agrees to run with level baselines, it will be necessary to adjust departmental bids from a total of £268.7 million for 2010/11 to the £258 million Estimate for 2009/10. Similar adjustments will follow for the later years as well. This will involve further discussions with departmental finance teams to reflect expected underspends as well as other savings, to bring bids back within the financial ceiling this would impose. We do not recommend a *pro rata* cut for each Department as, in our view, some areas have greater scope for cuts or efficiency adjustments than others.
21. There have been a number of additions to the Estimate in recent years to cover new initiatives. Not all of these schemes have been fully implemented and again, some may have been delivered at a lower cost than planned, with the balance diverted to fund other activities. This may well have built some additional 'fat' into local budgets that could be used to meet the budgetary shortfall. Further work with departmental finance teams will be undertaken to identify where this may have occurred.
22. Departments will need reassurance that if they need more than they have been given, they will be able to draw on corporate contingency. Instead of Departments holding multiple packets of contingency, it is proposed that all contingency should be held at the centre. **Does the Board agree that such contingency should be kept at the centre, and not in departmental budgets?**
23. The Estimate for 2010/11 will include a technical accounting adjustment for the abolition of the cost of capital charge, together with adjustments to reflect the transfer of work to the IPSA. For later years it might further include transfers from the Members Estimate to cover pensions, Short money, Members Fund, and central services including ICT provision and depreciation. At present the exact scale of these adjustments remains unknown, but is likely to be of the following order:

All figures £000

		2009/10			2010/11	2011/12	2012/13
	Budget	Outturn	Variance				
Resource b/f Reduced bids (to stay level)	258,000	252,263	5,737		268,683 (10,683)	272,243 (14,243)	267,887 (9,887)
Cost of Capital	(28,000)	(30,300)	2,300		(30,300)	(30,300)	(30,300)
Operations costs transferred to IPSA	(1,500)	(1,500)	0		(1,500)	(1,500)	(1,500)
Members Estimate (to Administration)					0	21,100	21,100
Revised budget	228,500	220,463	8,037		226,200	240,443	236,087

24. This means that, while offering a level budget in real terms, the Estimate requested will be less than last year – a presentational benefit, but not one we can legitimately claim credit for.

Plus and minus options

25. The Board agreed in September to offer F&S a plus and a minus option, as well as Plan A.

26. Under the plus option, it would be possible to offer, for additional cost:

- Increased ICT support in the constituency (though this may be affected by Kelly and IPSA);
- A more elaborate e-petitions system (or even the Public Stage of legislation, recently proposed by the Conservatives);
- Further environmental initiatives.

27. Given the history of underspend and the additions to the Estimate in recent years, there is a risk that, in the event, we would not need the additional funding requested. The Board might prefer not to seek additional funding at this stage, but to warn that a Supplementary Estimate might be necessary.

28. If F&S wish to cut the budget for 2010/11, it may be necessary to consider reducing services to Members. For example, F&S might be invited to consider:

- Removal of the catering subsidy;
- Abandoning plans for e-petitions and/or Regional Committees;
- Reductions in printing (e.g. abandoning printing Select Committee evidence);
- Abolition of the Voters' guide;
- Restricting the investment in the parliamentary web;
- Consider contracting out maintenance work or move towards greater use of shared services (although this would take time to implement and involve the co-operation of the Lords).

29. Many of these service reductions would require the agreement of the House. The best approach might be to invite F&S to suggest where they would like cuts in services to be made, and how political agreement to this should be achieved.
30. **What approach does the Board wish to take to the plus and minus options? Which additional services should be offered, and which services should be proposed as potential areas for cost saving?**

Achieving longer-term savings

31. While it is looking as if it will be relatively easy to achieve a level budget in 2010/11, achieving the downward trajectory of costs in future years which the Board wants will be harder to achieve. There are, broadly, three ways of cutting costs: reducing services, providing services more efficiently, and reducing support costs. (The Board has indicated that it does not want to see the quality of services reduced.)
32. From the challenge meetings it is clear that Departments vary in their readiness to accept that there is scope for greater efficiency in their service delivery. There is also cultural resistance to cutting low priority services. DCCS, in particular, doubt that it is appropriate to define services or parts of services agreed by the House as having less priority than others.
33. If we are to cut costs without cutting services, we will need to focus on cutting running costs. There is almost certainly scope for cutting the costs of HR, but this might require a greater reduction in departmental autonomy than the Board was prepared to see post-Tebbit. **Is the Board ready to consider this?**
34. In order to help drive cost reduction, it is proposed to carry out a number of corporate efficiency reviews. It is hoped that a colleague from the Scottish Parliament will be seconded here to carry out this work. RMG could be used to help identify areas for review and to deliver such a programme.
35. Achieving cost reduction will require a cultural change and a very strong, and united, Board lead. While the speed and extent of the cost-cutting we will be required to deliver is dependent on political developments, the Board may need to give a clearer steer on what we are aiming to achieve. **Should we be aiming to deliver, say, 10% savings in three years?**

Training and development

36. There is a risk that, in order to keep budgets down, Departments will constrain or reduce their training budgets. At present, we do not have a clear picture of how much is spent on training across the House Service (given much of it is provided “free” by our own staff), so it is hard to establish whether we are putting sufficient resource into it. In 2008/09 a total of £0.9 million was spent on training (the equivalent figure for 2009/10

is a forecast of £1.4 million against budget allocation of £1.6 million), which is similar to the budget loaded for the previous year. **In order to ensure that we are building capability for the future, does the Board wish to make clear that training should remain a priority?**

Income generation

37. One way of reducing our budget without reducing services would be to increase our income generation. At present, this goes on in many areas (banqueting, Summer tours, souvenirs, bookshop etc) but the opportunities are not fully exploited and they are not managed as a whole. In the past, we have been hesitant about the propriety of engaging in enthusiastic commercial activities (and certainly have shunned private sector sponsorship), but it may be that the political and public mood on this is changing. **Would the Board like to commission a cross-departmental study of the potential for increased income generation?**

Management culture

38. A potential area for greater efficiency is in management time. It is widely felt that our complex governance arrangements are wasteful, and that we spend too much time in producing papers for boards or Committees.

Conclusion

39. Current expenditure forecasts suggested it is feasible to deliver bids submitted for 2010/11 without increasing the level of the 2009/10 Estimate. To meet later year bids, and given that there could be a political desire to reduce the cost of parliament in the longer term, it is likely that further efficiency savings need to be planned for and delivered.

Andrew Walker
Philippa Helme
12 October 2009

APPENDIX

Core Task 1: Advice and services to the House and its committees

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Speaker's Office	666	619	47	666	666	666	R	Speaker
Clerk's Assistants Directorate	15,056	14,662	394	13,854	13,854	13,854	R	DCCS
Committee Directorate	15,148	13,854	1,294	16,322	15,822	15,822	R	DCCS
Legislation Directorate	2,774	2,863	(89)	2,798	2,798	2,798	R	DCCS
Official Report Directorate	11,784	10,776	1,008	10,604	10,504	10,504	R	DCCS
Legal Services	973	914	59	955	955	955	R	DCCS
Parliamentary Commissioner for Standards	547	587	(40)	558	558	558	R	DCCS
Regional Committees	673	500	173	0	0	0	R	DCCS
E-petitions	0	0	0	925	785	785	R	DCCS
Speaker's Conference	0	28	(28)	0	0	0	R	DCCS
Replacement Chamber Cameras	67	25	42	882	0	0	C	DCCS
Update camera control rooms	25	18	7	0	1,294	0	C	DCCS
Research and Information for Members	3,067	3,037	30	3,067	3,067	3,067	R	DIS
POST	207	200	7	207	207	207	R	DIS
Procedural systems upgrades	0	0	0	776	100	100	R	PP(DCCS)
Hansard Reporting Suite update	0	0	0	1,780	1,005	0	R	PP(DCCS)
Resource	50,895	48,040	2,855	52,512	50,321	49,316		
Capital	92	43	49	882	1,294	0		

Core Task 3: Promote public knowledge and understanding of Parliament

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Media & Communications	253	228	25	253	253	253	R	DCCS
Broadcasting Unit	925	632	293	924	924	924	R	DCCS
Redevelop the Parliamentary bookshop	0	0	0	100	0	0	R	DCCS
Redevelop the Parliamentary bookshop	0	0	0	900	0	0	C	DCCS
Public Information Directorate & WebCentre	3,678	3,302	376	3,679	3,679	3,679	R	DIS
Public Information Directorate & WebCentre	10	0	10	10	10	10	C	DIS
Expansion outreach	0	0	0	221	221	221	R	DIS
Media & Communications	314	303	11	314	314	314	R	DIS
Educational Resources	0	0	0	280	0	0	R	DIS
Education Service	1,067	1,029	38	1,067	1,067	1,067	R	DIS
Development of the internet and intranet	2,250	1,992	258	2,250	1,875	1,875	R	PP(DIS)
History of Parliament Trust	1,179	1,179	0	1,179	1,179	1,179	R	Grants
Resource	9,666	8,665	1,001	10,267	9,512	9,512		
Capital	10	0	10	910	10	10		

Core Task 4: Maintain the heritage of the Palace of Westminster and other buildings

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Parliamentary Estates Directorate	28,000	27,055	945	28,304	28,107	28,321	R	DF
Stone Conservation & Repair: Courtyards	0	0	0	300	9,137	9,737	R	DF
Stone Conservation & Repair: Westminster Hall	0	0	0	330	1,046	600	R	DF
Encaustic Tile Restoration	0	0	0	130	900	600	R	DF
Fire and Safety upgrade	1,608	0	1,608	1,957	2,997	5,440	C	DF
Cast Iron Roofs	2,812	2,817	(5)	2,448	801	2,015	C	DF
Underground Car Park	0	0	0	90	2,500	5,850	C	DF
Toilet refurbishment	0	0	0	480	1,447	1,447	C	DF
Mechanical & Electrical modernisation	0	0	0	5,698	10,849	29,453	C	DF
Other Scheduled Projects	0	0	0	2,536	7,521	3,527	C	DF
Other Projects	0	0	0	1,750	2,491	2,219	R	DF
Curators Office	400	386	14	400	400	400	R	DIS
Curators Office	90	87	3	90	90	90	C	DIS
Facilities IT systems improvements	675	4	671	581	499	349	R	PP(DF)
Facilities IT systems improvements	292	298	(6)	338	300	75	C	PP(DF)
Resource	29,075	27,445	1,630	31,795	42,580	42,226		
Capital	4,802	3,202	1,600	13,637	26,505	47,897		

Supporting Task 2: Provide a healthy, safe and secure environment

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Serjeant at Arms Directorate	4,845	4,808	37	4,212	4,212	4,212	R	DCCS
Security contracts	22,124	22,124	0	22,124	22,124	22,124	R	DCCS
Parliamentary Security Coordinator	200	176	24	150	150	150	R	Sec Co
Catering and Retail Services	6,839	6,520	319	6,695	6,751	6,803	R	DF
Accommodation Services Directorate	10,043	9,746	297	10,010	10,064	10,111	R	DF
Parliamentary Estates Directorate	19,289	18,733	556	18,807	19,137	19,519	R	DF
Offsite scheme	1,200	1,109	91	3,050	3,050	3,050	R	DF
Security Control Facilities	30	0	30	60	4,350	3,630	C	DF
14 Tothill Street	1,691	0	1,691	3,980	0	0	C	DF
PCH Entrances	31	0	31	131	1,908	1,790	C	DF
Protection against VBIED	0	0	0	2,100	3,618	2,100	C	DF
Purchase 53 Parliament Street	5,500	5,500	0	500	1,250	1,250	C	DF
Derby Gate Refurbishment	0	0	0	1,760	4,224	2,816	C	DF
Palace windowless offices	0	0	0	0	1,200	4,801	C	DF
Convert Lower Secretaries to Education Centre	0	0	0	0	1,434	3,442	C	DF
Other Initiatives	2,519	1,318	1,201	3,220	1,510	1,180	R	DF
Other Initiatives	5,431	584	4,847	1,514	6,838	6,490	C	DF
Resource	67,059	64,534	2,525	68,268	66,998	67,149		
Capital	12,683	6,084	6,599	10,045	24,822	26,319		

Supporting Task 3: Plan and manage the House's resources

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Office of the Chief Executive	1,862	1,699	163	1,750	1,750	1,750	R	OCE
Minor capital expenditure	2	1	1	2	2	2	C	OCE
Departmental & Corporate Planning	923	940	(17)	923	923	923	R	DCCS
Minor Capital Expenditure	0	0	0	75	75	75	C	DCCS
Departmental & corporate planning	1,356	1,307	49	1,356	1,356	1,356	R	DIS
Minor capital expenditure	35	9	26	0	0	0	C	DIS
Departmental & corporate planning	1,922	1,837	85	1,974	1,974	1,974	R	DF
Financial Management Directorate	1,675	1,842	(167)	1,709	1,709	1,709	R	DR
Corporate Commercial Service	644	639	5	815	829	829	R	DR
Departmental & corporate planning	686	626	60	626	626	626	R	DR
Minor capital expenditure	5	0	5	5	5	5	C	DR
Project Provision: Unallocated	666	0	666	0	0	0	R	PP(Other)
Project Provision: Unallocated	(203)	0	(203)	0	0	0	C	PP(Other)
Central overheads: Cost of Capital	27,865	30,300	(2,435)	30,300	30,300	30,300	R	CP
Central overheads: Pension Interest	18,610	20,300	(1,690)	20,300	20,300	20,300	R	CP
Central overheads: Other	2,343	1,487	856	0	0	0	R	CP
Central overheads: Other	0	0	0	0	0	0	C	CP
Resource	58,552	60,977	(2,425)	59,753	59,767	59,767		
Capital	(161)	10	(171)	82	82	82		

Supporting Task 4: Ensure that information is well managed

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
Information Management	2,637	2,625	12	2,637	2,637	2,637	R	DIS
Information Management	0	0	0	35	35	35	C	DIS
Parliamentary Archives	537	526	11	526	526	526	R	DR
IRIS	347	601	(254)	601	601	601	R	DR
Technology Directorate	8,944	8,944	0	8,395	8,482	8,751	R	PICT
Programmes & Projects Directorate	448	448	0	870	870	870	R	PICT
Planning & Support for ICT functions	5,377	6,664	(1,287)	6,453	6,809	6,809	R	PICT
ICT Infrastructure programme	2,578	2,139	439	2,531	1,630	1,672	R	PP(PICT)
ICT Infrastructure programme	2,074	1,629	445	4,073	6,150	5,088	C	PP(PICT)
ICT Knowledge Management	645	520	125	0	0	0	R	PP(PICT)
Resource	21,513	22,467	(954)	22,013	21,555	21,866		
Capital	2,074	1,629	445	4,108	6,185	5,123		

Total

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13	C/R	Dept
TOTAL RESOURCE	258,000	252,263	5,737	268,683	272,243	267,887		
TOTAL CAPITAL	19,500	10,968	8,532	29,664	58,898	79,431		

Resource (by department)

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13
Speaker	666	619	47	666	666	666
DCCS	76,875	73,766	3,109	74,552	73,712	73,712
DIS	16,000	15,426	574	16,502	16,222	16,222
DF	69,812	66,318	3,494	74,570	84,167	84,114
DR	11,769	12,798	(1,029)	11,453	11,147	11,016
PICT	19,512	19,497	15	20,695	20,922	21,180
OCE	1,862	1,699	163	1,750	1,750	1,750
Sec Coord	200	176	24	150	150	150
Project Provision: DCCS	0	0	0	2,556	1,105	100
Project Provision: DIS	3,185	2,862	323	4,095	3,337	2,355
Project Provision: DF	967	302	665	919	799	424
Project Provision: DR	0	0	0	2,950	2,000	0
Project Provision: PICT	4,214	3,265	949	3,817	2,220	1,927
Project Provision: Other	666	0	666	0	0	0
Central Provision	48,526	51,795	(3,269)	50,262	50,300	50,525
Grants	3,746	3,746	0	3,746	3,746	3,746
Total	258,000	252,269	5,731	268,683	272,243	267,887

Capital (by department)

	2009/10 Budget	2009/10 Outturn	2009/10 Variance	2010/11	2011/12	2012/13
Speaker	0	0	0	0	0	0
DCCS	92	43	49	1,857	1,369	75
DIS	135	96	39	135	135	135
DF	17,103	8,901	8,202	23,254	50,937	74,051
DR	5	0	5	5	5	5
PICT	0	0	0	0	0	0
OCE	2	1	1	2	2	2
Sec Coord	0	0	0	0	0	0
Project Provision: DCCS	0	0	0	0	0	0
Project Provision: DIS	0	0	0	0	0	0
Project Provision: DF	292	298	(6)	338	300	75
Project Provision: DR	0	0	297	0	0	0
Project Provision: PICT	2,074	1,629	445	4,073	6,150	5,088
Project Provision: Other	(203)	0	(203)	0	0	0
Central Provision	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Total	19,500	10,968	8,532	29,664	58,898	79,431