

## **Management Board**

### **Savings Programme Closure and Continuous Improvement**

*A note by the Director of Finance*

#### **Introduction**

1. The following two papers were submitted to the Finance and Services Committee for its meeting on 5 March. The first paper is the final quarterly report on progress to deliver the Savings Programme, before the Programme closes on 31 March. The second paper updates the Committee on the work being undertaken to introduce a Continuous Improvement approach to both Houses.

#### **Action for the Board**

2. The Board are asked to take note.

**Myfanwy Barrett**  
**Director of Finance**

**26 February 2014**

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## FINANCE AND SERVICES COMMITTEE

### Savings Programme: Closure Report

*A paper by the Head of Savings*

#### 1. Purpose

1.1 This paper is the last in a series of quarterly reports to the Committee on progress in delivering the Savings programme. It is provided for information.

#### 2. Action for the Committee

2.1 The Committee is asked to note that:

- a. Approval by the Commission of the 2014/15 Estimate at £201.3 million is consistent with a reduction of 17% in real terms from £231m at 2010/11.
- b. Business Improvement plans in accommodation, catering, cleaning and print services are on schedule to deliver the full targeted savings of £2.2 million.
- c. The other stands of the Savings Programme have delivered savings and non- financial benefits as detailed below.
- d. Outstanding issues, detailed in Annex B, will go into business as usual and progress on implementation will be monitored by the Director of Savings at intervals during 2014/15.
- e. The programme will close on 31 March 2014 and to follow on, a Continuous Improvement approach will be adopted across Parliament (see separate paper).

#### 3. Background

3.1 The House of Commons Commission decided before the 2010 election that the House needed to reflect what was happening in the wider public sector and, following the election, set a target to reduce the cost of running the House (the Administration Resource Estimate) by at least 17% in real terms between 2010/11 and 2014/15.

3.2 The Administration Resource Estimate of £201.3 million for 2014/15, after taking account of transfers between Estimates and out-of-scope items, is equivalent to reduction of 10% in cash terms and 17% in real terms. So, as long as, during 2014/15, the House Service can deliver the savings that are already reflected in budgets, the target will have been met.

3.3 The Commission also decided that the savings should be made through detailed analysis of services and how they were delivered, the aim being to arrive at something not just less expensive but better. From the outset, the fundamental principle adopted by the Commission have been that any cost reductions should not adversely affect the ability of the House and its Members to carry out their parliamentary functions and that the programme must not harm the House's ability to hold the government to account, but that the programme must ensure that the House is as effective and efficient as possible.

#### **4. Delivering Savings in Two Phases**

4.1 The Commission's preferred approach was for reductions in budgets and services within existing structures and a redesign of services across the organisation to achieve more structural savings. The former element was essentially the first phase of the programme whereby areas of cross-cutting expenditure that could be reduced without fundamental changes, so called 'tactical savings', were identified. Departments of the House were each asked by the Clerk to identify savings options amounting to 20% of their departmental budgets. Prioritised options were endorsed by the Management Board, put out to consultation and an initial savings package was agreed by the Commission in December 2010. The package of initial savings amounted to some £12 million in 2011/12, rising to £19 million by 2014/15. A review of programme and project expenditure was also undertaken together with work to develop the 2012/13 Medium Term Financial Plan.

4.2 The approach adopted in the second phase of the programme was agreed by the Commission in March 2011. This phase focused on the redesign of services with the aim of making them more effective, not just reducing cost. The Commission accepted a recommendation from the Committee, based on financial analysis and discussions with the Management Board, that seven savings strands would be the most fruitful areas to examine in order to develop proposals leading to greater effectiveness and reduced cost. The delivery strands focussed on three themes:

- Harnessing technology: Print to Web, ICT Strategy
- Making better use of the estate: Income Generation, Estate
- Changing and simplifying the way we deliver services: Market Testing (latterly Business Improvement), Operations.

The enabling strand began life as Staff and Culture but latterly become known as the HR Delivery Programme.

4.3 The Commission was clear that concentrating savings in the strands did not mean that other functions or services were exempt from scrutiny. The continuing need for, and the value for money of, all services was to be questioned as part of the annual budget planning process. The Operations strand was designed to bridge the remaining savings gap in focusing specifically on the areas of the House administration that had yet been unaffected. Departments of the House were asked to model scenarios for saving 10% in those areas.

4.4 The Medium Term Financial Plan agreed in December 2011, showed that a further £25 million of savings were required to meet the 17% savings target and responsibility for delivering the savings was divided between the strands. Adjustments were made to the targets for each of them as the programme developed.

4.5 Members, Members' staff and staff of the House were consulted extensively in both phases of the programme, a debate on charging for Clock Tower tours took place in March 2012 and debates on the House of Commons Financial Plan occurred in November 2012 and November 2013. Full details of the Member consultation programme are at Annex A.

## 5. Delivery of Savings in the Second Phase

5.1 The Committee will note that, as shown in Table 1 below, the second phase of the savings programme delivered some £24.6 million. Further savings are expected to be delivered in later years, particularly in the Income Generation strand.

Table 1

Savings strand	Departmental budget	Savings delivered £m
Print to Web	DCCS	2.2
ICT Strategy	PICT	2.4
Income Generation	DIS & DF	2.6*
Operations (a)	All	5.5
Business Improvement	DCCS and DF	2.2
Estates		1.9
<b>Sub total</b>		<b>16.8</b>
Additional Operational Savings (b)	DCCS	1.5
	DF	0.7
	DIS	0.1
	DFIN	0.3
	PICT	0.2
	PSD	0.5
<b>Sub total</b>		<b>3.3</b>

Projects & Programmes	PICT (PICTAB)	1.0
<b>Sub total</b>		<b>1.0</b>
Other Adjustments (c)		3.5
<b>Total Savings Delivered</b>		<b>24.6</b>

\*an additional £0.4 million for delivery in 2016/17

#### Notes

- a. *The main contributor to the Operations strand was the 10% challenge exercise. For this, around £80 million was agreed with departments as being in scope against which they submitted proposals amounting to some £7.6million Following the round of challenge meetings, during which some £1million worth of savings were ruled out as having too great an impact on service delivery or being double counted, proposals totalling some £6.6million were recommended and £5.5 million delivered.*
- b. *During the challenge round to set 2013/14 budgets, additional operational savings of some £3.3m were identified as shown separately in table 1 above*
- c. *'Other adjustments' refers to the contribution to meeting the savings target from a number of elements such as changes in pay assumptions (1% pay cap), stable inflation, decision to merge our staff pension scheme with the PCSPS, close scrutiny and challenge of departmental expenditure and new growth, and the overall effect of a change in ethos which has led to a changes in spending habits and behaviour evident in departmental under spends which led the way for further budgetary reductions.*

## 6. Savings Strands: Progress and Outstanding Issues

6.1 Work in the five remaining strands is progressing well and the achievements and outstanding issues are summarised at Annex B.

## 7. Tracking Transition to Business as Usual

7.1 As part of the closure procedures of the savings programme, transition plans have been drawn up to ensure that momentum is maintained in the business and, in the areas where savings have yet to be delivered, that ownership is clear. All the required savings are reflected in departmental budgets. The Director of Finance will continue to monitor the situation and react to any slippage by identifying alternative proposals.

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7.2 The Savings Programme has resulted in new organisational structures, with some different and more flexible ways of working. The Management Board is ensuring that this is handled sensitively and applies at all levels, including the Senior Commons Structure; the number of SCS staff has been reduced by 10% since 2010/11.

7.3 Looking beyond the closure of the programme and taking account of the continuing constraints in public expenditure, the Medium Term Financial Plan assumes zero growth in real terms and that upward cost pressures other than inflation will be absorbed. To assist in delivery, a Continuous Improvement approach will be adopted providing an opportunity to work with the House of Lords which has set the same objective in its Strategic Financial Plan. Since both Houses are now following a similar path, Continuous Improvement will be designed to introduce shared efficiencies across parliament. In order to protect the legacy of the Savings Programme and facilitate an orderly transition to CI, the CI team is expected to be partially resourced from elements of the existing Savings Programme team.

## **8. Equalities Analysis**

8.1 Equality analysis has been undertaken where appropriate across all the savings strands. This involves looking at information and evidence and engaging with different groups to understand the impact of policies and proposals. This can help identify unintended consequences and minimise the impact on vulnerable groups. No problems have so far been identified. Equality analysis will continue as the remaining savings are absorbed into business as usual and under Continuous Improvement.

## **9. Conclusion**

9.1 The main measure of the success of the Savings Programme is evident in the Commission's approval of the 2014/15 Estimate reflecting the full 17% saving. Non-financial benefits together with the support from Members, not least in the November 2013 Chamber debate, and the absence of serious opposition from staff or the Trade Unions, adds impetus. To ensure the Programme's ultimate success, it is vital that momentum is maintained to ensure that the benefits to be realised in 2014/15 are delivered by the business areas responsible for doing so. The development of a Continuous Improvement approach across both Houses will play an important role in protecting the legacy of the programme and in embedding and further developing a cost conscious culture amongst those who are responsible for delivering services across Parliament.

**March 2014**

**Consultation with Members**

- The Clerk of the House wrote to all Members in November 2010 about the programme.
- Members were subsequently provided with detailed information on the initial savings proposals and areas for generating increased income and asked for their views.
- A second consultation exercise took place in autumn 2011 including briefings for Members and a further opportunity for written comments.
- Subsequently the Management Board published a detailed response to the consultation exercise.
- The Chairman of F&S wrote to all Members in February 2012 detailing the proposed changes to printing and publishing arrangements and inviting views.
- On 15 March 2012, one of the savings proposals, on the Clock Tower, was debated on the floor of the House.
- On 4 September 2012 there was a debate in Westminster Hall on Visitor Access and Facilities, related to income generation.
- On 8 November 2012 the first debate took place in the Commons on the draft House of Commons Administration Estimate and the House's Medium Term Financial Plan (including the House of Commons Savings Programme).
- On 21 November 2013 the second debate took place on the draft House of Commons Administration Estimate and the House's Medium Term Financial Plan (including the House of Commons Savings Programme).

## 1. Savings Strands – Achievements and Outstanding Issues

1.1 All the strands continue to be fully engaged in delivery of the remaining savings and as part of programme closure procedures, transition plans have been drawn up to ensure that momentum is maintained in the business and in the areas where action is outstanding. The situation as the programme prepares for closure is as follows.

## 2. Business Improvement Strand

2.1 The Business Improvement strand has been implementing change in four business areas of the House service with the aim of ensuring that they are aligned with external best practice, as well as providing the most efficient and effective service possible.

2.3 In addition to reducing costs by 12% (£2.2million), Business Improvement aims to deliver the following benefits:

- Catering Services will become more agile to respond to the varied timetable of the House and the impact of Income Generation activities. The catering team has also been developing a raft of significant service enhancements and culinary initiatives which will benefit customers.
- Reception and Accommodation Services have been restructured to provide a more flexible and visible team to ensure a high quality service. A Service Charter is being developed.
- The in-house cleaning team is now responsible for heritage areas of the Palace, whilst cleaning in other areas is carried out by an external contractor.
- Print Services have changed working hours to ensure that the service is aligned with the House timetable as well as consolidating two print locations into one.

2.4 In endorsing the savings proposals in the 2012 debate, the House accepted an amendment recommending that business improvement plans for the four areas were implemented prior to further consideration being given to market testing. Following consultation with staff and some staff departures under voluntary exit schemes, the Business Improvement Plans are now at an advanced stage of implementation with expected savings having already been made or being delivered in time for the 2014/15 financial year. The Committee has been actively monitoring implementation, particularly in Catering Services where, it has transitioned to a smaller core team, through voluntary exits and will be supported by a pool of highly trained staff on flexible hours arrangements that can be called upon to meet the fluctuating demands that are inherent in any catering operation, but especially at the House of Commons.



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- 2.5 i) In **Accommodation and Logistics Services**, the restructuring process was successfully completed on schedule, achieved partly through voluntary exit and partly by interviewing staff for promotion to jobs in the new structure. Ten members of staff left under the House's Voluntary Exit Scheme, one has been successfully redeployed and one other is on the House Service's redeployment list.
- ii) The new Target Operating Model became operational in 2013 with one issue that remained outstanding as noted below. A comprehensive learning and development plan is in place to support staff in their new duties, placing a strong emphasis on customer service. Skills such as a second language, already possessed by some of these staff, will be built on and recognised. The team have been provided with smart uniforms and are now more visible to Members and visitors. Apart from some limited adverse reaction by Members to the introduction of the new uniforms in Central Lobby, feedback has been positive from both staff and customers.
- iii) A Service Charter is being developed for the Department of Facilities, which will help embed the service ethos amongst teams who have implemented Business Improvement Plans.
- iv) **ALS Outstanding Issue** - Full implementation of the Business Improvement plan had been halted pending the outcome of the review of staffing in Central Lobby. Following consultation with the Administration Committee in February 2014, changes will be implemented as set out in the Business Improvement Plan, however arrangements will be subject to further review.
- 2.6 The **Cleaning** Business Improvement Plan has been implemented and target savings have been achieved in full. The Heritage Cleaning team have assumed responsibility for cleaning all heritage areas within the House of Commons part of the Palace. They have been trained by a conservation specialist. The bicameral cleaning contractor (Servest) has responsibility for the cleaning of all non-heritage areas including Members' offices. The transition appears to have taken place without affecting Members; there has been no adverse reaction. **There are no outstanding issues.**
- 2.7 i) In **Catering** the transition to a new organisational structure is now complete. Central to the Business Improvement Plan is a 'new way of working'. This has involved the transition to a smaller core catering team, which has been achieved through a Voluntary Exit Scheme under which 23 catering staff departed. Staff are undertaking focused training in team work, customer service and other core skills. The Business Improvement Plan includes the introduction of support for the core team from a pool of highly trained staff. The plan was for the staff to be on 'call-off contracts, but following discussion at the Commission, the plan is now to meet the fluctuating demands by increasing staffing levels, with 'minimum-hours' contracts and the use of agency staff and overtime. This will result in an increase in overheads but savings elsewhere in the budget will make up the shortfall.

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- ii) An Operational Resourcing Manager is now embedded within the catering team with responsibility for selecting, inducting and deploying the flexible workforce. This dedicated central role also supports managers and outlet supervisors in maximising staff utilisation, developing multi-skilled capabilities and increasing the overall efficiency of our core catering team. Also, with the endorsement of the Administration Committee, access to a number of venues has been extended and a new room-booking system has been implemented.
- iii) The main **Catering outstanding issue** in the Business Improvement strand is the introduction of flexible support for the core team. The minimum-hours workforce is expected to be in place in April 2014. A new agency framework is expected to be in place in May 2014.

2.8 **Print Services** has continued to extend the provision of tailored printing and distribution services for committee papers not distributed electronically. A web-based system for customers to submit material for printing has been in place since mid-February 2014. A Voluntary Exit Scheme resulted in the departures of two members of staff and enabled a new structure to be put in place which is now fully staffed. Earlier closing hours are now in operation with no adverse impact on service delivery and a single centralised budget for multi-functional devices (MFDs)/photocopying and a revised costing mechanism for print and design services has also been established. The service was consolidated to one location following the closure of the Millbank office in February 2014. **There are no outstanding issues.**

### 3. Print to Web Strand

- 3.1 Savings of £2.2 million are being delivered by reducing the amount of printing undertaken and improving online publication. The most significant savings have come from ending the hard back Hansard bound volume service for all but reference and archival purposes and from changes to the publication of select committee evidence; the latter changes form part of the Committee Programme's 'digital first' approach to committee publications, papers and communications.
- 3.2 Most of the changes producing Print to Web strand savings have already taken place or will be in place by the start of the 2014/15 financial year. The new system for publishing questions and answers will operate from the start of the 2014-15 Session: the web portal under development will make it easier for Members and their constituents to find, view, search and track written questions and answers. The new arrangements are in line with the F&S Committee's recommendation to the Commission that enhancements to the digital version of a publication should be in place prior to changes in printing arrangements being made. Written questions and answers will not be printed in the daily or bound volume Hansards from the start of the 2014-15 Session.

3.3 An Order Paper app, developed by the Web and Intranet Service in conjunction with the Table Office, was launched in October 2013. It is free to download and allows iPad users to search within the Order Paper, annotate and make notes to it and to adjust the text size. Work is under way to enrich the Order Paper, and to bring more papers into the new accessible, electronic friendly style, all of which should help to reduce demand for paper.

Predicted savings resulting from reorganising and reducing the frequency with which some sections of the Order Paper relating to Future Business are printed will not now be met by 2014/15. The shortfall of some £112,000 will be made up by increased savings already on stream under Print to Web.

3.4 In addition to savings resulting from reducing expenditure on certain documents produced by Government Departments, savings will arise from revised contractual arrangements which began on 24 February 2014.

3.5 The strand target savings are expected to be realised in full and the **Print to Web strand has no outstanding issues.**

#### **4. ICT strategy strand**

4.1 On ICT the key aim has been to harness the benefits of recent advances in technology (such as cloud computing) in order to allow Members and others to access the services they need from the equipment they choose. Cloud services – ie services provided over a network such as the internet – are designed to provide flexible access from anywhere and virtually any device. Some of the large suppliers of cloud services provide economies of scale, which often makes the services less expensive than our current in-house offerings. Considerable work has been undertaken to ensure that the necessary policies, skills and data security protections are in place. PICT has gone through a considerable restructuring and reduced its headcount. One benefit that Members will see after the next Election is that when equipping their office they will be able to choose from a much wider range of IT equipment.

4.2 The introduction of Office 365 (Microsoft's cloud-based email service, Office tools and document storage) is key to improving access and mobility and to delivering savings. Office 365 is being introduced for all parliamentary users to provide an updated version of the familiar email and office tools (Outlook, Word, PowerPoint, Excel) and to enable individuals to access the information they need at anytime, from anywhere and from any device.

i) Why?

- It's quicker and easier: simpler access to parliamentary email, calendar and documents from anywhere using any device.
- It's more reliable.

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- It's cheaper: the business case identified savings of £3.3 million over the next 7 years by removing the cost of procuring and maintaining servers, storage and networking hardware and the cost of ancillary services related to running an email service, such as backups.
  - There are further savings in staff costs to support the new system and by moving to a cloud based infrastructure.
  - It supports paperless office working.
  - Constraints of current remote access are removed – it's accessible over the internet without needing to connect to the parliamentary network.
  - It's scalable to meet demand.

#### ii) How/When?

- Parliamentary ICT worked with a small group of early adopter Members and their staff and ran a series of pilots with staff of the two Houses, in order to plan how best to deliver this upgraded service. As a result, Office 365 will be rolled out in steps, starting with the migration of mailboxes to the new service.
- PICT began the main rollout of Office 365 to staff of the two Houses in January 2014. We reached the point where we had migrated the mailboxes of all House of Lords staff, and the majority (56%) of Commons staff – 1800 people, over 2000 mailboxes in total.
- However, in January/early February there were a series of problems with internet traffic from the Parliamentary Estate. The problems experienced were not caused by Office 365. They were caused as a result of work to increase the capacity of our connections to the internet access to accommodate both normal growth and the traffic that Office 365 is expected to generate. Full details about the problems, including an explanation of what caused them, have been reported to the Administration Committee. One impact has been to delay the roll out for Members.
- We are reassessing the timetable for migrating Members to Office 365 and upgrading their machines to Office 2013. Within the next month or so we expect to be able to progress a planned second Members pilot of 365 email boxes, with a small group of Members who have already volunteered. Within two-three months we expect to be able to start the more general roll out of 365 email boxes for Members. Once we have a firm plan for these migrations, we will be able to present a new timetable for introducing the enhanced functionality which provides much of the benefits for Members, and we will be communicating more about what this will involve, over the coming months.
- From 24 February 2014, Members requiring ICT support and advice will be able to visit the new 'PICT Local' office at the top of the escalator in the Portcullis House Atrium. Members will also be able to have a full demonstration of Office 365 there.

#### iii) Information Security?

- The F&S Committee, the Administration Committee and the Commission have been consulted throughout on the implications for data security and data sovereignty. The Commission most recently had briefings on the subject from the Director of Parliamentary ICT and the Parliamentary Director of Security in January.
- Users of Parliamentary ICT in both Houses – including Members and their staff – will be upgrading to the business ('enterprise') version of Office 365, rather than the free public version available for general consumers. As a result of moving to Office 365, some parliamentary data (emails and documents) will no longer be hosted on the parliamentary network but will instead be hosted by Microsoft.
- Microsoft have provided satisfactory assurance of security measures that are both more extensive and supported by greater resilience of expertise than PICT, which is a much smaller scale of operation, can provide.
- The security of the enterprise version of Office 365 has been independently accredited for use in the UK public sector by the Communications Electronic Security Group (CESG) (the information assurance arm of GCHQ).
- Parliamentary use of the service has been through a new governance process that includes the SIROs and the Parliamentary Security Director and assurance for the server migration with the necessary systems controlled has been approved.
- Microsoft have contractually agreed that Parliamentary data will be stored only in Microsoft's bases in Dublin and Amsterdam and remain under Parliamentary control and under the jurisdiction of European law. Speakers Counsel is satisfied that with this mitigation the risk of losing sovereignty over our data is a low risk.
- The biggest risk to the security and privacy of parliamentary data is poor user behaviour and non-compliance with rules, policies and best practice.

#### 4.3 Consultation has been extensive -

- PICT consulted the Administration Committee in November 2011, February and November 2012, July and November 2013, and February 2014.
- The F&S Committee published a report on the Savings Programme in October 2012, which contained a section on the ICT Strategy. The Committee's report was debated in the Chamber in November 2012.
- The House of Commons Management Board issued a consultation on the Savings Programme, approved by Finance and Services Committee, in Autumn 2011. This consultation document outlined the plan to host Parliamentary email, office applications and files in the cloud.
- Parliamentary ICT consulted the House of Commons Commission in December 2012.
- The Management Boards of both Houses agreed in January 2013 the foundation principles for a 'cloud first' approach from April 2013.
- In May, 2013 the Finance Directors of both Houses approved the business case for Office 365, following its consideration by the Management Boards.

- The F&S Committee and the Commission were consulted again in January 2014.

**4.4 The savings from the strand are expected to be realised in full. The delay to the roll out of Office 365 caused by the internet connection problems could lead to a delay in delivery of the savings in 2014/15. A network improvement plan is currently being implemented to resolve the internet connection issues. The ICT strategy programme is dependent on successful completion of this improvement plan in order to resume the roll out of Office 365.**

## **5 Income Generation Strand**

5.1 The Commission agreed in July 2012 that there should be a clearer separation between Parliament as a working body and parliament as a visitor attraction. The three main areas of focus have been:

- the development of commercial tours
- development of retail activities
- marketing the House of Commons as a banqueting and events venue

The House is working towards an income target of £3 million per year. Many of the changes are being implemented later than planned (in early 2014/15) and so will be outstanding as the savings programme closes but financial benefits from these changes will continue to grow in future years.

5.2 The House already offers a number of commercial activities that are welcomed by Members and the public and which make a financial contribution to the finances of the House. All the plans are based on three guiding principles:

- Parliament is a working institution and income generation should not impede Members of Parliament in carrying out their duties
- Citizens have a right to engage with Members and parliamentary business without charge
- The Houses of Parliament are one of Britain's leading visitor attractions and have the potential to raise revenue to reduce costs which otherwise would fall on the taxpayer.

### **5.3 Tours**

i) Prior to 2013/14, paid-for tours of Parliament took place on Saturdays and on weekdays during the summer and conference recess. During summer opening, starting in 2013, tour times have been extended by an additional hour on weekdays. From Christmas 2013 onwards commercial tours will be offered in all other recesses as well as non-sitting Fridays where possible.

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- ii) Visitor Services have developed a new tiered tour offer, comprising a standard tour using an audio guide and an extended, premium tour which will be guided by a Blue Badge Guide at a higher cost. This new offer will launch in April 2014 after trials in March 2014.
  - iii) Tour prices were increased in 2013 and 2014 following a benchmarking exercise and approval from the Administration Committee. In 2014/15 standard adult tickets are priced at £17.50. This price is based on the median of benchmarked sites. The adult price for an extended premium tour will be £25.00.
  - iv) A new ticketing contract has been awarded to Gateway Ticketing who are working with PICT to resolve technical issues and progress installation. Bringing this function in house will provide financial benefits by halving ticketing costs compared with the current situation, and saving the Houses around £200k per annum.
  - v) None of the income generating proposals will impact on the capacity for Members' tours, nor is there any foreseeable impact on Education Visits.

#### **5.4 Retail**

- i) The Visitor Shop has been relocated from St Stephen's Hall to Westminster Hall and a further move is planned to a permanent location near the Jubilee Café. The Houses of Parliament Shop (bookshop) will be re-located to a larger unit at 50 Parliament Street in autumn 2014 (as part of the refurbishment of 53 Parliament Street).
- ii) Two guidebooks have been launched (Houses of Parliament guidebook and the Elizabeth Tower guidebook). Around half of guidebooks are being sold alongside tour tickets and the other half in retail outlets. iii) The product ranges in the retail outlets are being reviewed and new products added. A successful Christmas Fayre produced over £25k net sales whilst two Christmas discount shopping days generated over £15k profit. The House expects to develop its E-commerce offering in 2014 once a new retail management system is in place.
- iv) Overall, current planning suggests retail will deliver around £200k of additional income in 2014/15, with additional growth (to £300k) in future years as the new retail outlets become established.

#### **5.4 Afternoon Teas**

- Afternoon teas commenced as an 'add-on' to paid tours in June 2013 and have been extremely successful. Initially available only on Saturdays, they were extended during the summer recess to include Thursdays and Fridays. In September prices were reviewed and increased (from £19.95 to £25 per head, a very competitive price in the London Afternoon Tea market) and are expected to generate £65k in 2013/14 and £142k in 2014/15.

#### **5.5 Commercial Hire arrangements**

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- Commercial hire of certain House facilities to appropriate third parties when the House is not sitting has commenced. Third parties will be required to sign a Contract for Hire, will be charged a commercial tariff based on benchmark comparators, and will pay in advance. A 25% reduction will be offered to registered charities.
  - The new charges, terms and conditions and payment schedule for Member funded and Member sponsored events will be applied for events from April 2014. These are expected to contribute £8k in 2013/14 and £711k in 2014/15.
  - The new arrangements will be kept under review by the Administration Committee for a trial period of 2 years.

### **5.6 Filming on the Parliamentary Estate**

- It had been thought that the Elizabeth Tower would be closed in 2014/15 and no income would be generated. However, around £30k of filming income is now expected in 2013/14 and an additional £38k in 2014/15.
- The Commission has agreed that parts of the Palace of Westminster can be hired out, on non-sitting days only, for use as film locations. A request from the producers of a British film starring Carey Mulligan and Helena Bonham Carter based on the life and struggles of a suffragette, has been approved. It is expected to be filmed on the House of Commons Estate at Easter. This filming will be used as a pilot to learn lessons for future requests.
- A filming fee of £7,500 per day has been agreed in principle, plus other one-off costs to be negotiated. The film company will fund a specialist film curator who will work with our own curatorial team to ensure that the fabric of the Palace is not in any way compromised. Invaluable advice has been received from Film London and the National Trust who have extensive experience of location filming. Discussions are still underway with the production company and requirements are changing as the script and filming develops.

### **5.7 Income Generation Outstanding Issues**

- Required IT solutions (Ticketing and Retail system) now likely to be delivered between March and June 2014 (along with new retail outlet) with resources in Visitor Services and PICT likely to be stretched;
- Security costs for Saturday opening expected to be significantly higher for existing operations due to formal MPS contract for Saturdays. Other additional costs include HoL retail agreement and the existing arrangements for a revenue share from sales in Westminster Hall to go to the Speaker's Art Fund
- Events : Minimum Hours Contracts for flexible staff to resource events coming to a conclusion
- Contractors for 50 Parliament Street have gone into administration and new contractors to be appointed; will further delay implementation



- E-commerce needs to be developed in 2014/15 now new products are available and as the new retail management system is implemented.
- Visitor Services also have a c£93k shortfall due to the decision not to charge for Elizabeth Tower Tours.

## **6. Estate strand**

6.1 In June 2012 the Estate strand was formally closed. The key aim of the Estate strand was to reduce the overall footprint of the space occupied by the House of Commons while still allowing refurbishments to take place. It had delivered its main contribution, which was to relinquish the leases of 4 Millbank and 2 The Abbey Garden and the savings have been realised in full. **The Estate Strand has no outstanding issues.**

## **7. Operations**

7.1 All the many individual savings lines that make up the Operations strand have been reassessed and all but about £0.8 million of the £6.3 million originally offered by departments is on course for delivery. Much of the £0.8 million relates to the Department of Facilities which as the main contributor to Business Improvement had only the Estates function remaining from which to find further savings. It was recognised that this area had already made significant savings contributions in earlier years. The remaining gap in the Operations strand has been filled by incidental savings elsewhere (see Table 1) and **the Operations Strand has no outstanding issues.**

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Finance and Services Committee

**Continuous Improvement**

*A paper by the Head of Savings*

**Purpose**

1. Following agreement in the previous planning round by the House of Commons Commission to the Financial Remit, this paper updates the Committee on the work currently being done towards the introduction of a Continuous Improvement (CI) approach to follow on from the Savings Programme.

**Action for the Committee**

2. The Committee is asked to take note.

**Background**

3. The Remit for the planning round 2014/15 to 2017/18 assumes zero growth in real terms and that the House will absorb day to day upward cost pressures other than inflation. In agreeing the Remit the House of Commons Commission noted that there should be an on-going challenge to deliver efficiencies through a process of continuous improvement. The Commission suggested that this Committee should continue to look for opportunities to make further efficiencies and ensure value for money in the delivery of services.
4. The House of Lords has a similar remit (though with a different baseline) and a commitment to seek continuously to improve value for money and identify inefficiencies and waste and this provides an opportunity for a bicameral approach. Accordingly, the Management Boards of both Houses have agreed to work together to embed CI across parliament. A joint approach has the potential to add value, and each House will be able to decide its pace of change.

**Aligning the identification of benefits with budgets**

5. CI will play a key role in exerting downward pressure on expenditure and as part of the regular financial planning round, Departments will be asked, in their submissions, to identify areas they think are suited to CI and this will be subject to

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challenge. They will be offered assistance from the core team in realising efficiencies and a process for monitoring progress will be set up.

6. Much like the Savings Programme, CI efficiencies will be built into the Estimate and MTFP and the Committee will be able to provide input and scrutinise proposals. Regular reports on progress will come to the Committee, much as they have done on the Savings Programme.

### **Proposals being worked-up**

7. Officials have begun working up plans to introduce CI along the lines of those being pursued across the public sector and led by the Cabinet Office. Rather than the emphasis being on efficiency savings, CI is more focused on effectiveness and as way to create capacity. In making services more effective CI aims to improve the customer experience, increase productivity, cut costs, or, ideally, all three. This most often takes the form of process reviews, engaging staff on the ground by involving them in a continuous round of redesign of their work and harnessing their creativity to solve problems.
8. The Management Boards of both houses are in agreement that CI should be embedded in business-as-usual and not run as a programme. The view of the Boards is that unlike the Savings Programme, CI should be introduced progressively, without significant publicity, so that experience can be built up with the benefit of lessons learned during pilot reviews. This will allow decisions about the approach to emerge organically and preparations for CI are proceeding accordingly.

### **Training and Pilot Reviews**

9. This emerging initiative is being led by two members of the ex savings team under the direction of the Finance Directors of both Houses. In time it is envisaged that a network of trained people across departments of both Houses would carry out reviews and the first small group from across parliament are due to be trained in March 2014. Initial training has been secured free of charge from within the public sector CI network and a modest budget will facilitate additional training.
10. Proposals for pilot reviews which are of a manageable size and likely to succeed are being compiled. The plan is to begin to carry them out from April 2014 onwards and in doing so, learn lessons and demonstrate the benefits of CI. As a test, a small pilot process review has already been undertaken in the House of Lords Finance Office. This served as a useful training exercise for the team who came up with ten points for further examination, some of them with the potential to lead to efficiencies.
11. Business areas across both Houses are beginning to generate a variety of ideas for potential CI reviews of operational functions such as: procurement of suppliers and contract management, business administration, deployment and

organisation of resources, printing, communications and information technology. These ideas have yet to be evaluated and, on closer examination, they may not all prove viable but it is encouraging that interest has been generated at this early stage and before significant CI publicity has been actively pursued. Business areas are actively looking for more candidates and momentum is now beginning to build. The Committee will receive detailed information on the areas identified as suitable for CI Review at the next update in June 2014.

### **CI Activity across the House**

12. A number of projects are already happening across the House which come under the ambit of CI or could lend themselves to CI being applied. Full details of these will be included in regular reports to the Committee from June 2014 onwards

### **PICT**

13. Solutions to process issues are often likely to be ICT based. PICT understands this and sees CI as an opportunity to collaborate with departments of both Houses as they seek efficiencies. PICT is currently considering the level of response it can offer both as an enabler for CI initiatives in business areas (for example providing the ICT change to enable the re-engineering of a process) and as a direct participant, focussing on its own internal organisation. Funding issues will need to be ironed out so that CI does not divert funds from other PICT initiatives but a network of trained CI practitioners in the business is likely to be helpful to PICT in identifying issues on which they can engage with departments of both Houses.

### **Next Steps**

14. The Management Board has authorised further work to be done over the coming months on pilot reviews and in addressing questions such as: how areas would be encouraged to put themselves forward for review. The Committee will be kept informed about progress.

### **Head of Savings**

**March 2014**