

MANAGEMENT BOARD**3-YEAR PLANNING & 2008/09 ADMINISTRATION ESTIMATE****Note by the Director of Finance and Administration****Purpose**

This note sets out the approach to planning and finance for the next three years which we propose to put to F&S and the Commission.

Summary and decisions needed

2. It should be possible to meet commitments for 2008/09 within an Estimate similar to that agreed for 2007/08, uplifted to take account of inflation and the annual pay award. There is however, some financial uncertainty around the impact of the Tebbit implementation programme.
3. I suggest that the Board concentrates on deciding whether to recommend:
 - Acceptance of departmental bids (or some of them) in addition to the existing level of baselines. This would add £994,000 if all substantive bids were included;
 - Retaining a level baseline, thus absorbing cost pressures, including the Tebbit transitional costs. This might involve applying a general efficiency reduction to baselines to create a change programme transition reserve to meet any unforeseen financial pressures that emerge during 2008/09;
 - A real-term cut of between 1% and 5% against discretionary areas of expenditure.

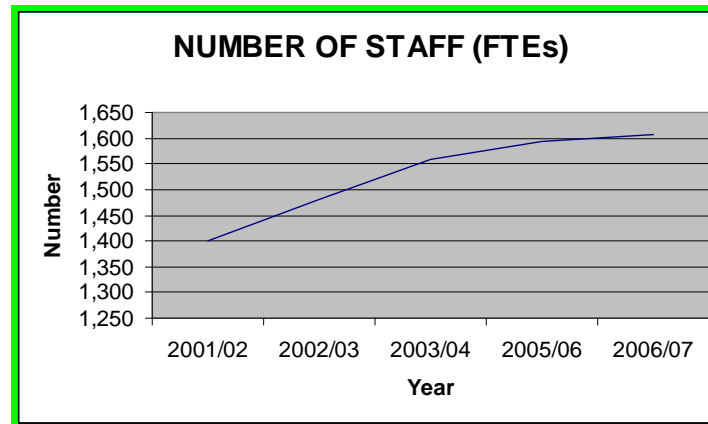
Background

4. Following the former Board's decision in the spring, Chris Ridley and I carried out a scrutiny process covering both existing expenditure profiles and new bids, with particular emphasis on staffing costs. Shared service programme bids were scrutinised jointly with the Lords and considered in conjunction with the Estate Board and the JBSB.
5. The scrutiny process and this paper have been based on the existing six departments to reflect the form in which bids were received. A bicameral approach was undertaken for the PICT scrutiny as it is funded by a budget allocation recommended by JDIB. As such the PICT bid is shown as a separate section in the paper. Finally, it would have been inappropriate for the scrutiny of DFA to have been undertaken by ourselves. Consequently, the department's existing baselines and additional bids were scrutinized by the Departmental Finance Office for the Clerk's Department.
6. The Tebbit implementation timetable means that planning for 2008/09 and beyond will have less certainty at this stage in the exercise than in previous years. There are also likely to be transitional costs associated with the new unified House structure.
7. Previous planning exercises have been taken forward within the context of the medium term finance strategy for 2006 to 2011 agreed by the Commission. This requires us to manage core services at a level of expenditure no higher than the ceiling previously agreed for 2006/07, adjusted for inflation.
8. Although the Administration Estimate remains outside the direct control of the Treasury, most central government departments have received Spending Review settlements this year that have included significant reductions. This could bring pressure for the House to demonstrate that it has likewise achieved real savings, or else absorbed additional work within the existing provision.

Scrutiny of staffing

Existing provision

9. Departments are not funded on the basis of staff complement. Instead, they receive a budget derived from the 2001/02 staff baseline, adjusted for subsequent staff changes agreed by the Board uplifted for annual pay awards. This gives departments a degree of flexibility over the staffing profiles adopted to meet changing work needs from within their existing budgets.
10. The number of full time equivalent staff employed by the House has grown in recent years.



11. Although some changes reflect specific decisions by the former Board and the Commission (e.g. additional staff for Select Committees, Visitor Assistants) other posts appear to have been added by departments through flexibilities allowed within budgets.
12. The scrutiny process therefore looked at the overall position taking account of known changes in recent years. The figures suggest the Board has specifically agreed fewer than half (44%) of the staff additions since 2004/05. Some departments have offset increases through reductions elsewhere, but there remain a significant number of additional posts implemented by departments themselves. There have also been pay band increases for 42 posts.

Future provision

13. The move to a new unified corporate structure on 1 January 2008 will require staff baselines to be re-constituted. While no direct staff savings are expected to arise from the programme, it is possible that some staff efficiencies may be found to alleviate the marginal work pressures highlighted in some bids. Further details are provided in Annex A.
14. At this stage the Board are asked to consider the following significant bids:
- Additional Visitor Assistant posts: 7 posts at £178,000 per annum (see paragraph 8, Annex A);

- Expansion of Education Service: additional 12.5 posts with staff costs adding £130,000 / £259,000 / £389,000 for each of the respective years (see paragraph 12, Annex A);
- Outreach: staff costs increasing £210,000 / £358,000 / £505,000 over the planning period (see paragraph 12, Annex A);
- Modernisation Committee: 4 additional posts in the Library at £263,000 per annum (see paragraph 12, Annex A).

Works programme (including security projects)

General

15. The Estate Board are still working on the 5-Year and 25-Year work programmes. There remain major uncertainties, and a lot of work in preparing business cases is still needed. Uncertainty around the plans to renew the M&E infrastructure in the Palace is also a factor which impacts across significant parts of the potential work programme.

16. Major investment projects within the proposed 5-Year programme which are very provisional at this stage include:

- Further security measures around the perimeter of buildings on the Estate (£13 million); installation of blast resistant glazing (£16 million); relocation of the security control room (£2 million) and the security equipment frame room (£1 million). There are also proposals currently being worked up to move vehicle deliveries offsite which could involve set up costs of around £5.5 million in 2008/09 with annual running costs of up to £1 million thereafter;
- Other projects include the modernisation of the M&E infrastructure in the Palace (£144 million or more); refurbishment of Canon Row and Derby Gate (£42 million) and Norman Shaw North including fire suppression (£21 million); overhaul of the cast iron roofs (£15 million) and automatic fire detection (£23 million).

17. The outline programme, which is shared with the Lords, includes the cost of the new building in Tothill Street which has a gross rental charge of £3.4 million plus rates of £0.6 million per annum. The Commons share can be summarised as:

(a) Resource (£k)

Area	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Receipts	(850)	(751)	(751)	(751)	(751)	(751)
Major projects	8,783	4,311	7,031	10,880	7,038	7,719
Minor works	3,100	1,416	1,815	1,125	693	375
Maintenance	7,589	8,330	8,336	8,336	8,483	8,487
Rent, rates etc	15,130	18,251	18,251	18,251	18,251	18,251
Other	736	811	188	975	1,373	1,699
Total	34,488	32,368	34,870	38,816	35,087	35,780

(b) Capital (£k)

Area	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Major projects	1,610	3,516	19,253	40,470	66,710	60,440
Minor works	0	5	222	125	12	0
Maintenance	100	370	370	370	370	370
Central Provision	2,416	0	0	0	0	0
Total	4,126	3,891	19,845	40,965	67,092	60,810

(c) Resource & capital (£k)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Resource	34,488	32,368	34,870	38,816	35,087	35,780
Capital	4,126	3,891	19,845	40,965	67,092	60,810
Combined	38,614	36,259	54,715	79,781	102,179	96,590

Projects for 2008/09

18. Given the uncertainties around the later years of the programme, the main planning focus for this exercise must be 2008/09. The overall figures suggest a position for 2008/09 that is broadly in line with the current year, though we may need to revisit this if some projects (e.g. offsite vehicle search) crystallise in the next few months.
19. Some of the major projects involve significant planning costs in 2008/09 prior to the main costs which follow in the later years. These figures have been discussed with the Lords who have suggested that we restrict the shared seed corn expenditure on the security road barriers - to fund the detailed design work required to prepare the business case - to £600,000 (i.e. previously £1.2 million).
20. It may also be prudent to defer the second phase of planned expenditure on the roofs (£0.7 million in 2009/10 and £2.65 million in 2010/11) by a year to allow sufficient time to evaluate the outcome of the first phase. The Lords have also suggested reducing the provision allowed for the M&E services (£2.8 million in 2009/10 and £26.2 million in 10/11) to £1 million in 2009/10 and £10 million in 2010/11 given the uncertainties around this project. This seems sensible

PICT*Running Costs*

21. The budget for PICT in both 2006/07 and 2007/08 included transitional funding to cover in part the cost of using agency staff to fill vacant posts. A baseline for 2008/09 and future years has now been provisionally agreed in conjunction with the Lords. This includes a staff cost reduction of £1.7 million per annum from April 2008 as well as other expenditure adjustments over the planning period. These are ambitious plans and revised arrangements for monitoring progress have been agreed with PICT.
22. Gross baseline figures covering both the Commons and Lords are shown below. The resource figures are broadly shared between the Houses 80:20 overall. Most of the capital expenditure falls to the Commons (i.e. £1 million).

Item	2007/08 forecast (£k)	2008/09 plan (£k)	2009/10 plan (£k)	2010/11 plan (£k)
(a) Resource				
Staff related	11,509	9,800	9,800	9,800
Telecoms	2,398	2,400	2,400	2,400
IT current	5,063	5,200	5,100	5,100
Other	319	300	300	300
Depreciation	1,839	1,850	1,850	1,850
Total	21,128	19,550	19,450	19,450
(b) Capital	1,200	1,200	1,200	1,200

23. PICT have submitted a number of additional marker bids upon which further work is being taken forward to validate the figures and prepare business cases where appropriate. These costs will again be shared with the Lords. The gross marker bids cover:

Item	2008/09 plan (£k)	2009/10 plan (£k)	2010/11 plan (£k)
(a) Staff increase			
Growth in demand for services (up to 3 additional posts)	25	50	75
Sustained service levels (4 service desk analysts; 2 field engineers)	190	190	190
Allowances to recruit and retain staff	250	250	250
Technical services	700	500	300
Member related VPN	30	30	30
Staff related total	1,195	1,020	845

(b) Current IT			
BC/DR offsite facility	500	500	500
Hansard software replacement	200	100	50
Savings from system integration	(250)	(500)	(1,000)
Member services	100	500	500
IT Current related total	550	600	50
Marker bid total	1,745	1,620	895

24. We have agreed with the Lords that no additional funds are sought to cover marker bids at this stage. Instead, any further bids that are agreed will need to be found from within existing corporate resources.

Investment programme

25. A bicameral ICT investment programme costing £8.7 million in 2008/09 and £7.5 million in 2009/10 has been under JBSB consideration. Major projects include:

- Internet/Intranet
- SPIRE (EDRM)
- Technology programme (ICT strategy)
- Off-site Data Service Centre

26. Further prioritisation may be required as such a level of investment would be ambitious compared to the current 2007/08 programme of around £5 million. Further considerations of the options and detailed financial figures await the preparation of business cases.

27. For current planning purposes I proposed that we run with a level investment programme of £5 million gross per annum (Commons share £3.75 million).

Other issues*Metropolitan Police Service contract*

28. An independent review of MPS resources has identified net savings worth 3.5% of the current police complement, worth around £800,000 in resource terms.

NATO conference

29. Plans will need to take account of resource costs associated with the NATO Parliamentary Assembly Annual Session to be held at the EICC in Edinburgh in 2009. These will be shared with the Lords (85:15). It is anticipated the Commons share will be allocated £300,000 and £600,000 in the years 2008/09 and 2009/10.

Additional legislation

30. A significant increase in the volume of bill pages has given rise to additional printing and publication resource costs in recent years. The Clerks department have indicated additional costs of around £200,000 in 2007/08.

Education Service & outreach

31. Non-staff costs associated with both these initiatives are shown alongside the staff costs in Annex A.

Senior Management Development Programme

32. The proposal to extend SMDP beyond 2008/08 is expected to carry a resource cost of £100,000 per annum as compared with the current annual cost of £300,000. The £100,000 is a marker bid for the present. Proposals for the nature and scope of senior management development will be taken forward with SMDP participants over the coming months.

Grants

33. Discussions are currently being held with the History of Parliament Trust to determine the extent to which they can run with a level grant, by utilising the £1.4 million publication reserve that has accumulated over many years. Although the Trust has recently been considering making more use of electronic publishing, they have decided to continue to produce printed publications in parallel for the time being.

34. F&S has recommended to the Commission that funding of four Parliamentary Groups (the British-American Group, British Group IPU, British Irish Inter-Parliamentary Body and the CPA UK Branch) be transferred from the Treasury to the Commons Administration Estimate. If agreed, this will increase the resources provided in the request for resources (i.e. RfR2) from £1.4 million to £4.7 million.

Broadcasting

35. Additional capital expenditure is planned for 2010/11 to cover the replacement of broadcasting equipment in both Portcullis House (circ. £1 million) and the Grand Committee Room (circ £1 million). It will be 10 years old and approaching the end of its economic life by then. Equipment in the main Commons Chamber is earmarked for replacement in 2012/13.

Conclusion

36. The figures in Annex B suggest that 2008/09 bids can be accommodated within the existing baseline allowing the medium term financial strategy to be met. The position is less clear for 2009/10 and 2010/11 given uncertainty around the extent to which parliamentary education and outreach services are to be developed, initiatives arising from the Modernisation Committee, and establishing a firm programme for both Works and ICT investment.
37. It is recommended that some funding is kept in reserve to meet transitional costs associated with the change programme. Experience from recent years further suggests that resource underspends are likely to arise. Consequently the Board may wish to consider whether real efficiency savings (say 1% to 5%) should be sought from discretionary areas of expenditure. This could result in either a reduced Estimate for 2008/09, be used to create a Tebbit transition reserve, or both.
38. During 2008/09 the Board will wish to support the early completion of outline business cases for both Works and ICT investment, to inform the drawing up of agreed investment programmes in both areas.

A J Walker
Director General (Resources)
November 2007

SCRUTINY OF STAFFING

The scrutiny process looked at the existing budget provision and expenditure on staff related areas, as well as bids made by departments for 2008/09 et seq.

2. Templates were prepared providing a audit trail of staff changes, both agreed by the former Board of Management and internally by departments within the flexibilities allowed, since staffing profiles were last baselined in 2001/02. The revised organisational structure will require these to be reconstituted at 1 January 2008.

Clerks

3. Agreed staff changes in recent years have included additional staff for the Committee Office and to meet agreed Modernisation Committee initiatives.

4. Additional resources to cover higher starting salaries for Committee Specialists (£183k), accelerated promotions within the fast stream grades (£66k) and other grade changes were highlighted. It was agreed to re-visit the staffing baseline once the Committee Office staff review had been completed. It is anticipated that any additional resource requirements will be met from either existing resource baselines or the Central Provision.

5. There are a number of further recommendations from the Modernisation Committee that could lead to additional staff requirements. At present these are unquantified but include proposals on the:

- establishment of regional Select Committee offices;
- extension of explanatory material to support Bills.

6. The costs could be significant if these proposals were to be implemented in full. It is recommended that no additional resources are sought at present until the details have been confirmed and the staff resource consequences agreed.

SAA

7. There has been a gradual increase in the number of full time equivalent posts (FTEs) over and above those authorised in recent years, although these have generally been absorbed within the overall budget provision. Significant agreed adjustments have included 15 Visitor Assistants, together with 2 supervisor posts, and the upgrading of 27 doorkeeper posts from band D1 to C.
8. New bids include a further 6 Visitor Assistant posts, plus 1 supervisor post (£178k). Upon completion of the Visitor Reception Building (VRB) the additional staff will operate from the new kiosk at St Stephen's entrance and welcome all visitors at the top of the new ramp. They will also assist inside the Palace, around Westminster Hall and St Stephen's Hall, directing people onwards to Central Lobby or into the queues for the galleries. Westminster Hall is to become the primary point of access and exit for all visitors and the role of the Visitor Assistants will be crucial. A business case has been prepared in support of these posts.
9. Cost reductions together with enhanced service provision are being sought through creating a number of permanent craft posts rather than obtaining services through the maintenance contract route. In budgetary terms this simply involves the transfer of maintenance funding to salary costs. Bids received for 2008/09 involved the creation of 3 craft posts.
10. Other additions include a B1 sustainability manager agreed by the former BoM, an additional D1 Clock Tower guide to reduce security risk and 3 project sponsor posts to assist with the preparation of business cases. These will be considered separately when budgets are agreed.

Library

11. Additional staff posts include 4 posts in the Education Service, 3 posts in Home Affairs, 2 posts in Social Policy and 2 posts for the Parliament & Constitution centre. These posts have been offset by staff changes elsewhere in the department. Consequently the Library has remained within its allocated budget.
12. New bids for 2008/09 and beyond, which were previously supported by the former BoM, include:
- 4 band A2/A3 to meet Modernisation Committee recommendations put forward in *The Legislative Process* (HC1097). This would add £263k to staffing costs;
 - The Corporate Plan identifies promoting information for the public as a key objective. The Modernisation Committee report *Connecting Parliament with the Public* (HC 368) debated by the House in January 2005 made a number of recommendations which included enhancing both the internal Education Service and the level of outreach work undertaken. The cost of expanding the Education Service involves building up to 13.5 additional staff (i.e. 2 Band B1; 2 Band B2; 4 Band C; 1.5 Band D1 and 3 Band D2) at a cost of £389k with further

support costs of £166k. The Administration Committee have already agreed a pilot schools visit scheme (£250k). The total gross bids including non-staff costs (£k) are:

	Share ratio	2008/09	2009/10	2010/11
Education Service:	70:30			
Staff costs		130	259	389
Support costs		55	111	166
Schools visits subsidy		<u>250</u>	<u>1,600</u>	<u>1,600</u>
		435	1,970	2,155
Outreach:	Not yet agreed			
Staff costs		210	358	505
Other non-staff		<u>208</u>	<u>389</u>	<u>545</u>
		418	747	1,050

DFA

13. The former BoM agreed a number of staff post additions in recent years to meet new requirements around the introduction of the Communications Allowance, the enhancement of the central finance, pensions and risk management functions, and the introduction of FoI. In addition, there has been substantial growth on Member services workloads which have been absorbed, although the scope for continuing to do so may become more limited if these trends continue.

14. Bids included a D1 post for 2008/09 and 2009/10 only to help speed up security vetting of applicants to work in the House. This post would be shared with the Lords. The establishment of a programme office (i.e. 0.5 A2, 0.5 B1 at a cost of £51k) was also bid to help with the scrutiny of business cases and maintenance of a corporate project data base. These will be reviewed when budgets are set.

15. Marker bids that can be held in abeyance for the time being included re-grading of certain staff providing Member services (£75k), an A2 post to help deliver enhanced corporate management information (£65k), a 0.5 B1 post to assist with the role out of category management (£23k), and staff backfill costs if further work was to be undertaken developing electronic services for Members (£100k).

OR

16. A steady state has existing on staffing with the exception of the agreed upgrading of 14 pagination posts from band C to B2, and 9 .5 posts transferred to PICT.
17. Marker bids were recorded for:
- 2010/11 onwards should it be decided to replace contract staff with in-house staff. A business case examining the options to provide sufficient flexibility to meet fluctuating work demand whilst achieving VFM is to be prepared;
 - Further staff may be required should the proposal to establish regional Select Committee offices was to proceed.

It was agreed to hold these marker bids in abeyance for the time being.

RD

18. The staffing levels within catering remain flexible to dealing with changing levels of demand. Such changes are offset in part by increases in the level of receipts generated, although an overall financial shortfall is forecast in 2007/08 following the decision to maintain prices at 2006/07 levels.

PICT

19. An agreed gross staffing provision of £9,800k (shared with the Lords 80:20) has been agreed by both Houses following the establishment of the new bicameral organisation.

Other

20. No significant changes were identified either in the Office of the Clerk, or for the Security Coordinator. The staff requirements of the former will need to be re-visited following its replacement by the Office of the Chief Executive.

SUBSTANTIVE AND MARKER BIDS

(a) Resource (£k)

Item	2008/09		2009/10		2010/11	
Substantive bids:						
Visitor Assistants	178		178		178	
Education Service	435		1,970		2,155	
Outreach	418		747		1,050	
ModCom staff	263		263		263	
MPS contract	(800)		(800)		(800)	
NATO conference	300		600		0	
Additional legislation	200	994	200	3,158	200	3,046
Marker bids:						
Works programme	(2,120)		n/a		n/a	
PICT running costs	1,745		1,620		895	
SMDP	(200)	(575)	(200)	1,420	(200)	695
TOTAL	419		4,578		3,741	

(b) Capital (£k)

Item	2008/09		2009/10		2010/11	
Substantive bids:						
Broadcasting equipment		0				2,000
Marker bids:						
Works programme	(235)		n/a		n/a	

PICT programme	0	(235)	n/a	n/a
TOTAL		(235)	0	2,000

N.B. Uncertainty around both the Works and ICT programmes beyond 2008/09 make it impractical to forecast figures.

(c) Baseline Transfers (£k)

Item	2008/09	2009/10	2010/11
British Group IPU	1,192	1,192	1,192
British-American Group	101	101	101
BIIPB	204	204	204
CPA UK Branch	1,808	1,808	1,808
TOTAL	3,305	3,305	3,305