

Management Board

2007/08 STEWARDSHIP REPORT

Note by the Director of Financial Management

Purpose

This paper provides a detailed analysis of the financial performance of departments during 2007/08. DR is still finalising the accounts for the year, which will then be subject to audit, so there may be some minor adjustments to the final figures when published.

2. The attached annex shows the final budget position compared against the actual expenditure incurred at the year end. The analysis is based on the former departmental structure as there was insufficient time to re-allocate budgets following the establishment of the new departments on 1 January 2008. In addition, the forecasts supplied for both the mid-year and final review exercises are shown to highlight the accuracy of forecasting against the final outturn. This suggests that forecasting is improving though further work still needs to be done.

Background

3. Resource budgets replaced traditional cash budgets at departmental level for the first time during 2006/07. Significant training of staff involved in budgeting and managing finances followed and the benefits can be seen in the improved budgeting and forecasting performance achieved in 2007/08. This is particularly pleasing given the uncertainties around the departmental restructuring and justifies the decision to leave existing budget allocations in situ for the remainder of the financial year after 1 January 2008.

Overall position

4. The final outturn forecast showed overall expenditure of £233.0 million compared with the original Estimate of £233.1 million. This included a forecast of £5.2 million additional pension costs due to changes in actuarial assumptions. As there was no margin between the forecast and the Estimate, and the forecast did not include possible write offs and the possible impact of the revaluation of land and buildings, a Supplementary Estimate of £5.2 million was taken.

5. The attached tables provide a breakdown of the outturn. A resource underspend of £11.5 million is shown (i.e. 4.8% of the final Estimate after the Spring Supplementary was taken). Against the original Estimate, the underspend is £ 6.3 million (2.7%).

6. A cash underspend of £5.1 million is shown (i.e. 2.9%) which broadly reflects

the adjusted cash forecast position.

7. The major areas of variance against the budget for the year are:
 - a. Salaries – an underspend of £1.0 million (1.3%) which mainly reflects longer than anticipated delays in filling vacancies.
 - b. Communications – an underspend of £1.1 million (15.1%) due to reduced usage by Members of pre-paid envelopes – possibly due to the introduction of the Communication Allowance.
 - c. Computers – an underspend of £1.5 million (19.5%) principally due to lower than anticipated expenditure on a number of projects in the Project Provision. The most significant were the Internet Project (£1.0 million underspend) and the PICT Corporate Applications Project (£0.3 million underspend).
 - d. Accommodation – an underspend of £2.8 million (8.0%) principally on works projects where some projects were reclassified as capital expenditure and others, mainly surveys and feasibility studies, were postponed.
 - e. Security – an underspend of £1.2 million (5.6%) due to changes agreed on the Metropolitan Police contract and the delay in the opening of the Visitor Reception Building.
 - f. Other non-cash items – an underspend of £2.1 million (6.6%) principally due to reduced cost of capital charges linked to the 5 year Estate revaluation exercise and changes to the pension provision.

Explanation of major variances

8. In the revised budget, provision was made centrally towards the year end for the increase in the employers' pension contributions rather adjusting departmental budgets. The overall impact was £4.0 million. The departmental analysis attached shows actual expenditure incurred by departments including the pension increases – the sums in effect being offset by the central reserve. Consequently the commentary which follows excludes this item from the departmental analysis and does not match the tables exactly.

Clerks

9. The outturn for the Department was an underspend of £2.5 million against the budget (7.2%) and an underspend of £0.6 million against the final outturn forecast (1.9%). The main areas of underspend against the budget were:

- a. Salaries - an underspend of £1.0 million mainly due to delays in filling vacancies and gains from salary differences on a high turnover of administrative staff. This was offset by higher than anticipated costs for seconded staff reflecting higher market rates particularly for lawyers and other specialist staff.

- b. An underspend of £1.4 million on demand led services including Select Committee travel & subsistence, office supplies, transcription services and specialist advisers.

SAA

10. The outturn for the Department was an underspend of £2.2 million against the budget (2.5%) and an underspend of £1.2 million against the final outturn forecast (1.4%). The main areas of variance against the budget were:
 - a. Salaries – an overspend of £0.4 million mainly due to the filling of long standing vacancies in the craft team and increased craft team travel time and overtime costs arising from assimilation to House pay bands.
 - b. Communications – an underspend of £1.0 million due to a reduced usage by Members of pre-paid envelopes – possibly due to the introduction of the Communication Allowance.
 - c. Accommodation – an underspend of £1.8 million principally on Works Projects where some projects were reclassified as capital expenditure and others, mainly surveys and feasibility studies, were postponed.
 - d. Security – an underspend of £1.1 million due to changes agreed with the Metropolitan Police and the delay in the opening of the Visitor Reception Building.
 - e. Depreciation – an overspend of £1.6 million which was offset by a provision for depreciation held centrally.

Library

11. The outturn for the Department was an underspend of £0.5 million against the budget (4.2%) and an underspend of £0.1 million against the final outturn forecast (0.9%). The main area of variance against the budget was salaries where there was an underspend of £0.3 million due to delays in filling vacancies.

DFA

12. The outturn for the Department was an underspend of £0.4 million against the budget (4.5%) and an underspend of £0.7 million against the final outturn forecast (7.3%). The main area of variance against the budget was salaries where there was an underspend of £0.4 million due to delays in filling vacancies.

Official Report

13. The outturn for the Department was an underspend of £0.5 million against the budget (4.7%) and an underspend of £0.5 million against the final outturn forecast (5.0%). The main area of variance against the budget was salaries where there was an underspend of £0.4 million due to delays in filling vacancies.

Refreshment Department

14. The outturn for the Department was an underspend of £0.1 million against the budget (1.4%) and an underspend of £0.2 million against the final outturn forecast (2.6%). The outturn on trading was £0.1 million better than the target set. This was a difficult year for the department given outlet prices were fixed while the cost of food supplies rose significantly during the year.

PICT

15. The outturn for the Department was an overspend of £0.6 million against the budget (3.4%) and an overspend of £0.1 million against the final outturn forecast (0.6%). The main area of variance against the budget was depreciation (£1.1 million) which was offset by a provision held centrally.

Conclusion

16. The underspend of £11.5million (4.8%) in 2007/08 is significantly lower than the £16.6 million (7.3%) in the previous year. The underspend was increased by the £5.2 million supplementary Estimate that was taken late in the year as a matter of prudence.

17. There was an improvement in forecasting with the outturn being a £6.2 million (2.6%) underspend compared with a £10.4 million (4.7%) underspend in 2006/07.

18. Apart from 2006/07, the Commission have previously agreed to retain any surpluses generated on catering activities. For 2007/08 this would add £0.1 million to the existing Commission Reserve balance of £3 million. In the absence of identified uses for these funds the Board may wish to recommend that the surplus is not transferred this time.

C Ridley
15 May 2008

2007/08 Resource Budget - Stewardship Report (HOC only)

SUMMARY

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS	(9,203,000)	(8,694,000)	(9,200,569)	(8,825,132)	(375,437)	4.1%
SALARIES	71,449,700	74,978,000	75,272,532	74,296,595	975,937	1.3%
OTHER STAFF COSTS	16,539,800	17,935,000	18,515,790	17,883,617	632,173	3.4%
TRAVEL& SUBSISTENCE INFORMATION	4,027,700	3,886,000	4,047,595	3,578,105	469,490	11.6%
BROADCASTING	80,000	250,000	141,200	183,517	(42,317)	-30.0%
COMMUNICATIONS	7,461,300	6,929,000	7,454,892	6,332,540	1,122,352	15.1%
COMPUTERS	4,159,300	6,965,000	7,564,680	6,092,552	1,472,128	19.5%
COST OF GOODS SOLD	3,283,000	3,240,000	3,282,955	3,399,842	(116,887)	-3.6%
OTHER RD SUPPLIES	302,000	315,000	406,481	338,186	68,295	16.8%
OFFICE SUPPLIES	5,196,700	2,057,000	2,331,180	1,812,583	518,597	22.2%
CONSULTANCY	5,777,000	5,645,000	5,746,840	5,478,583	268,257	4.7%
FINANCE & PROFESSIONAL SERVICES	97,000	207,000	96,442	84,872	11,570	12.0%
ACCOMMODATION	36,222,600	34,946,000	35,615,917	32,766,880	2,849,037	8.0%
SECURITY	21,389,000	20,704,000	21,528,600	20,330,824	1,197,776	5.6%
DEPRECIATION	14,708,700	17,281,000	17,556,536	17,085,478	471,058	2.7%
GRANTS	1,358,000	1,358,000	1,358,000	1,326,000	32,000	2.4%
OTHER NON-CASH	32,800,000	29,437,000	30,800,000	29,336,940	1,463,060	4.8%
GROSS EXPENDITURE	240,378,400	241,669,000	247,500,569	235,635,344	11,865,225	4.8%
NET EXPENDITURE	231,175,400	232,975,000	238,300,000	226,810,212	11,489,788	4.8%

2007/08 Resource Budget - Stewardship Report (HOC only)

SPEAKER'S OFFICE

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS					-	
SALARIES	391,000	404,000	404,000	424,642	(20,642)	-5.1%
OTHER STAFF COSTS	16,000	16,000	17,000	6,258	10,742	63.2%
TRAVEL & SUBSISTENCE	176,000	176,000	176,300	144,132	32,168	18.2%
INFORMATION	4,000	4,000	4,200	5,074	(874)	-20.8%
BROADCASTING					-	
COMMUNICATIONS	9,000	1,000	900	697	203	22.6%
COMPUTERS	1,000		500		500	100.0%
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	13,000	15,000	20,500	11,350	9,150	44.6%
CONSULTANCY	8,000	7,000	8,000	1,609	6,391	79.9%
FINANCE & PROFESSIONAL SERVICES					-	
ACCOMMODATION	4,000	5,000	5,000	3,643	1,357	27.1%
SECURITY	1,000	1,000	600	221	379	63.2%
DEPRECIATION	2,000	2,000	2,000	960	1,040	52.0%
GRANTS						
OTHER NON-CASH					-	
GROSS EXPENDITURE	625,000	631,000	639,000	598,586	40,414	6.3%
NET EXPENDITURE	625,000	631,000	639,000	598,586	40,414	6.3%

2007/08 Resource Budget - Stewardship Report (HOC only)

CLERK'S DEPARTMENT

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS	(530,000)	(445,000)	(530,000)	(451,111)	(78,889)	14.9%
SALARIES	18,863,000	18,419,000	19,508,860	19,580,260	(71,400)	-0.4%
OTHER STAFF COSTS	518,000	331,000	566,700	220,295	346,405	61.1%
TRAVEL & SUBSISTENCE	3,226,000	3,005,000	3,225,600	2,718,816	506,784	15.7%
INFORMATION	9,181,000	9,167,000	9,191,380	8,928,686	262,694	2.9%
BROADCASTING	80,000	250,000	141,200	183,517	(42,317)	-30.0%
COMMUNICATIONS	80,000	59,000	82,640	50,451	32,189	39.0%
COMPUTERS	57,000	116,000	57,000	63,575	(6,575)	-11.5%
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	883,000	780,000	867,140	700,901	166,239	19.2%
CONSULTANCY	1,277,000	1,021,000	1,296,840	1,093,790	203,050	15.7%
FINANCE & PROFESSIONAL SERVICES	2,000	2,000	2,000	3,581	(1,581)	-79.1%
ACCOMMODATION	40,000	32,000	40,000	20,692	19,308	48.3%
SECURITY					-	
DEPRECIATION	473,000	301,000	473,000	311,008	161,992	34.2%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	34,680,000	33,483,000	35,452,360	33,875,572	1,576,788	4.4%
NET EXPENDITURE	34,150,000	33,038,000	34,922,360	33,424,461	1,497,899	4.3%

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SERJEANT AT ARMS

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance %
RECEIPTS	(1,350,000)	(1,263,000)	(1,350,000)	(1,063,200)	(286,800)	21.2%
SALARIES	11,189,000	12,116,000	11,768,125	13,021,053	(1,252,928)	-10.6%
OTHER STAFF COSTS	332,000	257,000	313,700	235,582	78,118	24.9%
TRAVEL & SUBSISTENCE	201,000	229,000	198,180	261,611	(63,431)	-32.0%
INFORMATION	161,000	117,000	161,080	96,879	64,201	39.9%
BROADCASTING		-			-	
COMMUNICATIONS	5,392,000	4,848,000	5,390,320	4,365,573	1,024,747	19.0%
COMPUTERS				376	(376)	
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	1,156,000	989,000	1,152,960	827,529	325,431	28.2%
CONSULTANCY	2,315,000	2,073,000	2,301,300	2,064,626	236,674	10.3%
FINANCE & PROFESSIONAL SERVICES	5,000	5,000	4,800	6,277	(1,477)	-30.8%
ACCOMMODATION	35,073,000	34,327,000	34,030,000	32,219,115	1,810,885	5.3%
SECURITY	21,288,000	20,700,000	21,388,000	20,327,387	1,060,613	5.0%
DEPRECIATION	12,133,000	12,133,000	12,133,000	13,763,139	(1,630,139)	-13.4%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	<u>89,245,000</u>	<u>87,794,000</u>	<u>88,841,465</u>	<u>87,189,147</u>	<u>1,652,318</u>	<u>1.9%</u>
NET EXPENDITURE	<u>87,895,000</u>	<u>86,531,000</u>	<u>87,491,465</u>	<u>86,125,947</u>	<u>1,365,518</u>	<u>1.6%</u>

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LIBRARY

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS		(1,000)		(1,078)	1,078	
SALARIES	8,601,000	8,764,000	8,924,472	9,132,128	(207,656)	-2.3%
OTHER STAFF COSTS	160,000	149,000	162,800	169,057	(6,257)	-3.8%
TRAVEL & SUBSISTENCE	80,000	46,000	80,460	51,067	29,393	36.5%
INFORMATION	1,947,000	1,771,000	1,947,387	1,843,660	103,727	5.3%
BROADCASTING					-	
COMMUNICATIONS	49,000	76,000	49,400	79,289	(29,889)	-60.5%
COMPUTERS	10,000	3,000	10,000		10,000	100.0%
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	71,000	78,000	71,400	74,155	(2,755)	-3.9%
CONSULTANCY	70,000	70,000	70,000	55,344	14,656	20.9%
FINANCE & PROFESSIONAL SERVICES				69	(69)	
ACCOMMODATION				107	(107)	
SECURITY					-	
DEPRECIATION	116,000	91,000	116,000	66,052	49,948	43.1%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	<u>11,104,000</u>	<u>11,048,000</u>	<u>11,431,919</u>	<u>11,470,928</u>	<u>(39,009)</u>	<u>-0.3%</u>
NET EXPENDITURE	<u>11,104,000</u>	<u>11,047,000</u>	<u>11,431,919</u>	<u>11,469,850</u>	<u>(37,931)</u>	<u>-0.3%</u>

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DEPARTMENT OF FINANCE & ADMINISTRATION

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS		(2,000)		(1,700)	1,700	
SALARIES	6,014,000	6,044,000	6,222,507	6,165,626	56,881	0.9%
OTHER STAFF COSTS	995,000	1,038,000	997,492	973,039	24,453	2.5%
TRAVEL & SUBSISTENCE	30,000	41,000	29,700	44,560	(14,860)	-50.0%
INFORMATION	60,000	119,000	59,792	162,491	(102,699)	-171.8%
BROADCASTING					-	
COMMUNICATIONS	3,000	3,000	2,942	2,291	651	22.1%
COMPUTERS	12,000	26,000	12,000	40,301	(28,301)	-235.8%
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	70,000	69,000	69,600	71,782	(2,182)	-3.1%
CONSULTANCY	1,794,000	2,051,000	1,793,600	1,729,459	64,141	3.6%
FINANCE & PROFESSIONAL SERVICES	6,000	134,000	6,000	16,271	(10,271)	-171.2%
ACCOMMODATION					-	
SECURITY		3,000	-	3,050	(3,050)	
DEPRECIATION	325,000	274,000	324,960	237,275	87,685	27.0%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	9,309,000	9,802,000	9,518,593	9,444,445	72,448	0.8%
NET EXPENDITURE	9,309,000	9,800,000	9,518,593	9,442,745	74,148	0.8%

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OFFICIAL REPORT

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS					-	
SALARIES	5,496,000	5,698,000	5,613,850	5,549,368	64,482	1.1%
OTHER STAFF COSTS	87,000	101,000	114,720	83,762	30,958	27.0%
TRAVEL& SUBSISTENCE	101,000	158,000	121,850	118,952	2,898	2.4%
INFORMATION	3,810,000	3,774,000	3,809,890	3,793,999	15,891	0.4%
BROADCASTING					-	
COMMUNICATIONS	6,000	3,000	6,000	1,671	4,329	72.2%
COMPUTERS				274	(274)	
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	37,000	33,000	36,880	31,701	5,179	14.0%
CONSULTANCY	30,000	36,000	30,000	42,263	(12,263)	-40.9%
FINANCE & PROFESSIONAL SERVICES					-	
ACCOMMODATION					-	
SECURITY					-	
DEPRECIATION	145,000	115,000	144,960	87,031	57,929	40.0%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	<u>9,712,000</u>	<u>9,918,000</u>	<u>9,878,150</u>	<u>9,709,021</u>	<u>169,129</u>	<u>1.7%</u>
NET EXPENDITURE	<u>9,712,000</u>	<u>9,918,000</u>	<u>9,878,150</u>	<u>9,709,021</u>	<u>169,129</u>	<u>1.7%</u>

2007/08 Resource Budget - Stewardship Report (HOC only)

REFRESHMENT DEPARTMENT

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance % %
RECEIPTS	(7,321,000)	(6,979,000)	(7,318,049)	(7,304,455)	(13,594)	0.2%
SALARIES	8,831,000	9,147,000	9,147,808	9,531,071	(383,263)	-4.2%
OTHER STAFF COSTS	200,000	151,000	199,778	169,385	30,393	15.2%
TRAVEL& SUBSISTENCE	154,000	171,000	154,000	183,908	(29,908)	-19.4%
INFORMATION	9,000	20,000	9,200	13,386	(4,186)	-45.5%
BROADCASTING					-	
COMMUNICATIONS	1,000	1,000	680	1,452	(772)	-113.5%
COMPUTERS	53,000	30,000	52,920	40,998	11,922	22.5%
COST OF GOODS SOLD	3,283,000	3,240,000	3,282,955	3,399,842	(116,887)	-3.6%
OTHER RD SUPPLIES	302,000	315,000	306,481	338,186	(31,705)	-10.3%
OFFICE SUPPLIES	61,000	44,000	55,935	52,512	3,423	6.1%
CONSULTANCY		50,000		51,410	(51,410)	
FINANCE & PROFESSIONAL SERVICES	84,000	59,000	83,642	49,036	34,606	41.4%
ACCOMMODATION	554,000	549,000	554,336	549,461	4,875	0.9%
SECURITY					-	
DEPRECIATION	42,000	49,000	41,616	54,052	(12,436)	-29.9%
GRANTS						
OTHER NON-CASH						
GROSS EXPENDITURE	<u>13,574,000</u>	<u>13,826,000</u>	<u>13,889,351</u>	<u>14,434,699</u>	<u>(545,348)</u>	<u>-3.9%</u>
NET EXPENDITURE	<u>6,253,000</u>	<u>6,847,000</u>	<u>6,571,302</u>	<u>7,130,244</u>	<u>(558,942)</u>	<u>-8.5%</u>

2007/08 Resource Budget - Stewardship Report (HOC only)

PICT

	Quarter 2 Forecast £	Final Forecast £	Revised Budget £	Outturn Month 12 £	Variance £	Variance %
RECEIPTS		(2,000)		(1,950)	1,950	
SALARIES	9,028,700	8,759,000	9,028,700	9,189,018	(160,318)	-1.8%
OTHER STAFF COSTS	416,800	282,000	416,800	272,683	144,117	34.6%
TRAVEL & SUBSISTENCE	53,700	52,000	53,700	45,909	7,791	14.5%
INFORMATION	120,600	120,000	120,600	51,393	69,207	57.4%
BROADCASTING					-	
COMMUNICATIONS	1,918,300	1,927,000	1,918,300	1,817,162	101,138	5.3%
COMPUTERS	4,014,300	4,308,000	4,014,300	4,046,423	(32,123)	-0.8%
COST OF GOODS SOLD					-	
OTHER RD SUPPLIES					-	
OFFICE SUPPLIES	47,700	42,000	47,700	31,108	16,592	34.8%
CONSULTANCY	52,000	142,000	52,000	138,090	(86,090)	-165.6%
FINANCE & PROFESSIONAL SERVICES		7,000		9,077	(9,077)	
ACCOMMODATION	33,600	33,000	33,600	34,111	(511)	-1.5%
SECURITY					-	
DEPRECIATION	1,470,700	1,972,000	1,470,700	2,564,107	(1,093,407)	-74.3%
GRANST						

Management in Confidence**MB2008.P.40**

OTHER NON-CASH					-	
GROSS EXPENDITURE	<u>17,156,400</u>	<u>17,644,000</u>	<u>17,156,400</u>	<u>18,199,081</u>	(1,042,681)	-6.1%
NET EXPENDITURE	<u>17,156,400</u>	<u>17,642,000</u>	<u>17,156,400</u>	<u>18,197,131</u>	(1,040,731)	-6.1%