

Management Board Corporate Business and Financial Plans 2009/10

A paper by the Director General, Resources and the Head of the Office of the Chief Executive

Purpose

1. To assist the Management Board in formulating its financial and business plans for 2009/10 and to establish what should be presented to the Finance and Services Committee at its meeting on 13 November.

Actions for the Board

2. The Board is invited to:
 - 2.1 Consider the draft corporate business plan (circulated separately), and in particular whether:
 - 2.1.1 the Board's goals and priorities are communicated correctly
 - 2.1.2 the broad format is acceptable
 - 2.1.3 the level of detail contained is appropriate.
 - 2.2 Consider the draft financial plan, covering the years 2009/10 to 2011/12, to be presented to the Commission in December 2008 following scrutiny by the Finance and Services Committee, and in particular:
 - 2.2.1 whether the overall level of proposed expenditure is acceptable or should be reduced
 - 2.2.2 which of the new bids to incorporate in the plan
 - 2.2.3 whether to press harder for efficiency gains in core service areas.
 - 2.3 Decide whether to put higher and lower cost alternative plans to the Finance and Services Committee, and, if so, to decide which elements to present as options.
3. Other papers before the Board address (a) the communication of the Board's Plans and (b) the need to review the corporate risks.

Planning process

4. The draft Corporate Business Plan and Financial Plans before the Board have been produced following a round of discussion with, and planning within, Departments. They have been shaped by the Board's

discussion on its strategic direction in September.

5. The next stage will be to present the financial plans, and – if the Board wishes – the Corporate Business Plan, to the F&S Committee on 13 November. The Board will need to decide whether to present a single financial plan to F&S, or whether – as recommended in the Tebbit Review – to present alternative funding scenarios or options. In the current economic climate, there may be a particularly strong argument for presenting options, showing Members that the Board is willing to cut costs if that is what is desired. The F&S Committee is willing to be more involved in financial planning, and has said it wants to see funding options as a package before the start of the year, rather than receiving ad hoc requests for additional funding during the year.
6. The financial and business plans will be revised in the light of the F&S Committee's views and presented to the Commission in December. The Corporate Business Plan needs to be published early in the New Year, in order to communicate it effectively to staff well in advance of the end of the financial year.
7. Each Department has provided an outline business plan with financial bids. Once the Board has agreed the outline Corporate Business Plan, this will help steer Departments in developing their full Departmental Plans – which will come before the Board for sign-off in December.
8. As part of the discussion with Departments on the Corporate Business Plan, we will begin to develop the balanced scorecard, as agreed by the Board last month.

Draft Business Plan

9. The draft Corporate Business Plan is not complete, but shows in outline what it is planned to do next year. It is designed to show both core services (“business as usual”) as well as new initiatives; and how this work contributes to the agreed objectives and supporting tasks.
10. The introduction sets out the new goals and priorities agreed by the Board, and discussed at the senior management conference on 10 October. The goals have been increased to five, to reflect the Chief Executive's wish to show the importance of a positive outcome for staff.
 - Are you content with the five goals, and the order in which they are presented?
 - Are the three priorities clear enough? (In particular, is “Enhancement of IT services” clear enough?)
11. Core services are shown (for the most part) at directorate level. While the work of many directorates is not limited to one objective, they are

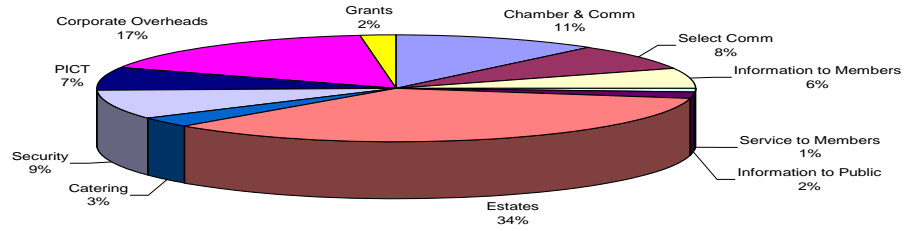
allocated to the objective / task to which they are most closely connected. The plan also shows, both for core services and new initiatives, who is responsible, cost, and key performance indicators. Many of these sections are still blank at this stage. In particular, more work needs to be done to identify performance indicators.

- Are you content with core services presented at directorate level?
 - Are you content with how directorates' work is allocated to objectives and tasks?
 - Are you content with the projects under each objective/task?
 - Are you content to identify owners and performance indicators for each initiative?
 - Are you content with the overall format and level of detail?
12. The plan presents the corporate risks (discussed in the separate risk paper) but does not give risks for each objective and initiative. Ideally, we should show for each objective what risks might prevent its achievement, but that might involve too much repetition.
- Would you like to see risks identified in the Plan against each objective / task or against the five goals?
13. We propose to revise the draft plan in the light of the Board's views and invite Departments to comment on the detail and fill in the gaps, before submission to the F&S Committee.

Financial planning

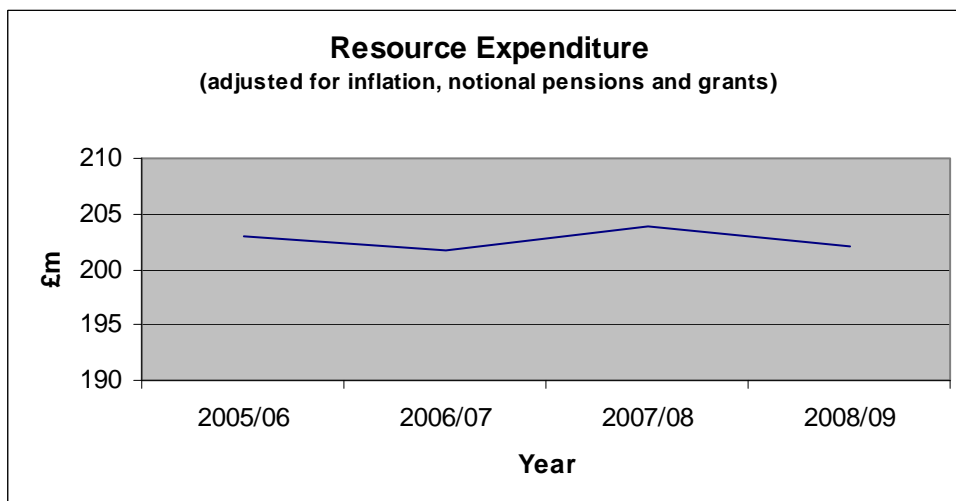
14. The 2009 financial plan, covering the years 2009/10 to 2011/12, will be presented to the Commission in December 2008 following prior scrutiny by the Finance and Services Committee. The outcome will decide the 2009/10 Estimate and three year financial baselines to be allocated to departments.
15. In previous years the planning process has not included inflationary adjustments at this stage. These are added prior to the Estimate being laid. It is proposed to adopt a similar approach for this exercise. The House of Lords have previously adopted a 'no inflation uplift' policy as a contributor to improve value for money (VFM) and are intending to continue to do so.
16. Although the House Administration Estimate is agreed by the Commission, and therefore outside the influence of the Treasury constraints applied to central government departments, the current economic climate highlights the importance of being able to demonstrate that VFM is being achieved. Indeed, the achievement of demonstrable VFM has already been highlighted by the Board as a key corporate target. For this reason departments were asked to identify where savings against existing budgets might be achieved, thereby

providing scope for recycling existing resources to new areas of work, when they submitted their initial plans before the summer recess.



17. The split of resource expenditure over the current House activities is shown above. A significant cost driver is the Estate which consumes over one third of resources if the capital costs attached to the freehold buildings are included. This highlights the importance attached to both the Estates and Accommodation Strategies under development, and the requirement to invest more in the Works programme if the condition of the existing infrastructure is to be maintained. Another significant investment opportunity is ICT which is a key tool for all business areas. Finally, the corporate services overheads identified include the notional interest costs on the pension provision (around £20 million) together with reserves held in abeyance to meet the 2008 pay award settlement, Tebbit change programme and other unforeseen cost pressures (around £6 million).

18. The Medium-Term Financial Strategy (MTFS) agreed by the Commission is that we should manage core services at a level of expenditure no higher than the ceiling previously agreed for 2006/07, adjusted for inflation. A review of the trend after adjusting for inflation, notional pension adjustments and grants shows the House to have broadly met the strategy.



19. It is important that the downward pressure on costs is maintained if we are to continue to meet the MTFS.

Summary of financial bids

20. The following tables show the total bids for additional funding in 2009/10 and the subsequent two years, and the impact on the overall size of the Estimate.
21. The 2008/09 column shows the level of funding already allocated to related projects in the current year. For example, if all the outreach bids were to be met, then the additional cost would be the difference between the £847,000 allocated to pilot schemes in 2008/09 and the total cost of £2.4 million shown for 2009/10.

(i) Resource

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
House & Committee services	1,635	5,222	5,000	6,000
Member services	0	500	500	500
Outreach	847	2,356	2,978	2,698
ICT investment	2,615	6,742	6,094	5,753
Works: major projects approved	2,480	1,077	270	30
Works: major projects planned	-	4,188	9,979	9,951
Total	7,577	20,085	24,821	24,932
Estimate (if all bids met)	244,000	253,500	261,600	261,000
Increase		3.9%	7.2%	7.0%

(ii) Capital

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
House & Committee services	0	450	450	0
Member services	0	500	3,500	0
ICT investment	864	1,600	400	0
Works: major projects approved	3,966	5,247	5,459	3,000
Works: major projects planned	-	8,652	36,738	34,789
Total	4,830	16,449	46,547	37,789
Estimate (if all bids met)	12,000	23,619	53,717	44,959
Increase		97%	348%	275%

22. If these bids were to be met in full then this would represent a resource increase against the current £244 million Estimate of around 4% in 2009/10 and 7% in later years. The capital allocation would double in 2009/10 with substantial increases following in later years.
23. Pie charts showing how resource expenditure would be divided by function for each of the years covered by the plan are given in Appendix A.
24. The Board is asked to decide the level of 2009/10 Estimate to submit to F&S. In particular,
 - What level of total bid is feasible in the current economic climate?
 - What bids should have priority if the current overall bid is to be reduced?

Financial options

(i) House and Committee services

25. Plans to extend activities through the establishment of **Regional Select Committees and Regional Grand Committees** are to be considered by the House. The House is also to debate the introduction of **e-petitions** at the beginning of November. If these schemes are agreed then additional costs will arise.
26. The size and scope of these costs will depend on the final form these new services take. For example, the e-petitions scheme could entail parliamentary time for debate with both the petitions themselves and the debate being reported by Hansard. Such a scheme would involve additional staff, printing and system costs of around £5.5 million over the next 5 years. Alternatively, the scheme could simply be delivered without parliamentary debate and a printed paper record (i.e. fully automated) which would reduce the cost significantly. It is envisaged that following a decision by the House a business case, if required, will be prepared setting out the options for both the Procedure Committee and Finance & Services Committee to consider.
27. The Commission has previously agreed to host the 2009 **NATO conference** at a total cost of around £1 million. These costs are shared with the Lords. There is also a proposal to hold a **Speaker's conference**, the scope and duration of which will influence the final costs. An outline bid only has been included at this stage.
28. The costs of the above are uncertain, but the Board must make provision for them in its 2009/10 planning.

29. The Board has already agreed to an annual investment of £3 million in **web development**. This was pared back to £2 million in the current year given the need to build up activity in the first year.

- Should web development investment be maintained at this level or adjusted?

30. A bid has been received to undertake building alterations on the **Parliamentary Bookshop** of up to £1.5 million to provide additional space. It is not yet clear how this bid fits with either a wider publications or retail strategy, and there could be an argument for waiting until a more detailed case has been made.

- Should the bookshop redevelopment be included in the plans?

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
Regional Select Committees	0	1,135	1,135	1,135
Regional Grand Committees	0	272	272	272
E-petitions	0	500	1,000	2,000
Web development	2,000	3,000	3,000	3,000
Parliamentary Bookshop (capital)	0	750	750	0
2009 NATO conference	159	850	0	0
Speaker's conference	0	343	343	343
<i>Total</i>	<i>2,159</i>	<i>6,850</i>	<i>6,500</i>	<i>6,750</i>

<i>Commons</i>	<i>1,635</i>	<i>5,672</i>	<i>5,450</i>	<i>6,000</i>
<i>Lords</i>	<i>524</i>	<i>1,178</i>	<i>1,050</i>	<i>750</i>

(ii) Member services

31. Investing in the improvement of Member services is central to the Board's business development agenda. Bids to deliver a step change in the quality of services delivered include the following proposals.

31.1 Consideration is being given to enhancing the capability of staff within the Enquiry and Advice team. This would primarily involve additional staff cost arising from the engagement of more senior staff. A marker bid of £500,000 has been included at this stage.

31.2 Automating Member allowance claims would enhance the quality of service delivery and allow accounting checks to be built into the claims process to reduce the potential for operating errors. Further development of the HAIS capability would further provide an opportunity to develop other operational aspects of the system, including the possible migration to a later software version. A capital marker bid for £4 million has been included and is part of the investing in ICT section (see

paragraph 7.14)

31.3 Further support in constituency offices. The Members Estimate Committee (MEC) has considered new arrangements for helping Members locate and secure office accommodation in their constituencies. Further work is in hand to examine the options for delivery. The enhancement of ICT support in constituency offices is a further initiative underway within PICT. Both these schemes fall to the Members Estimate and are therefore outside the scope of the Administration Estimate financial plan. These developments have been included for completeness.

32. Detailed business cases will need to be developed for those initiatives to be taken forward.

- Which of these bids do you wish to incorporate in the plans or present as options to F&S?

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
Enquiry and advice support	0	500	500	500
H AIS enhancement (capital)	0	500	3,500	0
Support in constituency offices	0	0	0	0
<i>Total (Commons only)</i>	<i>0</i>	<i>1,000</i>	<i>4,000</i>	<i>500</i>

(iii) Outreach

33. The Finance and Services Committee previously agreed to pump prime two outreach initiatives, the costs of which would be shared with the Lords, prior to deciding on further investment:

33.1 A Regional Education Officer pilot scheme is currently operating in two regions at an annual cost of £418,000. This scheme currently employs two outreach officers in each of the pilot regions. If successful then extending the scheme to all UK regions would add to staff numbers and a further phased cost of £632,000 on top of the existing pilot scheme. A cost benefit analysis of the pilot scheme should help inform a decision whether to extend the scheme. Alternatively, savings of around £400,000 could be generated if the initiative was to be abandoned;

33.2 A pilot schools visit subsidy at annual cost of £250,000 was previously agreed. Widening the scheme to a level of visits that could be accommodated on the Estate would incur annual costs of up to £1.6 million. Extending the scheme would rely on more schools taking up the option, and Members may be concerned that those schools nearer London were likely to benefit to a greater extent given the travelling distances involved. Again, some savings would arise if the current pilot was to be curtailed.

34. A further outreach initiative is to expand the existing Education Service to generate additional school visits to Parliament. Again, this is a shared service with the Lords and has similar constraints to the school subsidy. The availability of suitable accommodation will also be a key factor. The bid envisages a phased expansion of the current service costing £435,000 to nearer £990,000.
35. Given the Voters pack has now been running for a few years it may be opportune for the Board to consider whether the scheme is offering value for money. How might this be measured before a decision is taken on whether the current cost of £600,000 per annum is continued? Is it a priority for expenditure against alternative outreach initiatives?
36. Three other outreach bids have been received:
- 36.1 There will be a need to update the current parliamentary education film following the General Election to ensure the content is kept up to date. A total of £400,000 has been earmarked for 2010/11 for this.
- 36.2 An outline proposal to extending visitor access to the weekend would incur additional security and Visitor Assistant costs. This could be met either wholly or in part by the charges levied. When considered in 2006, the Finance and Services Committee concluded that the benefits to the UK public were unlikely to match the additional cost entailed. An outline business case has not been provided.
- 36.3 Finally, a proposal to extend the number of exhibitions held each year on the Estate has been made. This would involve doubling the current annual budget of £150,000. The cost of both these items would be shared with the Lords.
37. Outreach is perhaps an area in which savings could be made, if there is pressure to fund new services out of existing resources.
- Which of the outreach bids do you want incorporated in the plans or presented as options to F&S?
 - Should any of the existing services be offered as potential areas for savings?

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
Regional Education Officers	418	746	1,050	1,050
Schools subsidy	250	1,600	1,600	1,600
Expansion Education Service	435	805	990	990
Education film update	0	0	400	0
Extending exhibitions	150	300	300	300
CTO weekend opening	0	?	?	?
<i>Total</i>	<i>1,253</i>	<i>3,451</i>	<i>4,340</i>	<i>3,940</i>
<i>Commons</i>	<i>847</i>	<i>2,356</i>	<i>2,978</i>	<i>2,698</i>
<i>Lords</i>	<i>406</i>	<i>1,095</i>	<i>1,362</i>	<i>1,242</i>

(iv) Investing in ICT support and resilience

38. An investment budget of £5 million has been allocated for 2008/09 to support the following main ICT investment projects:

- Web development (£2 million);
- ICT infrastructure (£2 million);
- SPIRE (£300,000);
- Other ICT projects (£700,000).

39. This level of expenditure, which is shared with the Lords, is forecast to be exceeded during the current year. The Yard Report examined the level of investment that might be considered appropriate for the future, and recommended that a higher level of investment might be justified. PICT submitted the following bids in light of these recommendations, all of which are accompanied by business cases:

39.1 **Web development** (already discussed under House and Committee services section);

39.2 Extension of the **infrastructure** programme, which has a current focus around the rationalisation of servers, to include the replacement of existing supporting software (i.e. upgrades to Vista, Office 2007 and Exchange 2007) and the setting up of a Remote Data Centre which alone adds around £3 million to the planned cost;

39.3 Investment in **knowledge management** for which the business benefits and associated cost need to be identified;

39.4 The Yard Report suggested further investment in **research and development** (R&D) which should led better services and/or savings in the longer term, although it has to be recognised that some R&D may turn out to be nugatory. The current outline bid of £1 million per annum represents about 5% of the core PICT budget and further work is required to determine what an appropriate level might be;

39.5 Some pump priming funding has been provided in 2008/09 towards establishing the **SPIRE** project. If the business case is agreed then further investment will be required, although offsetting savings should be generated in the longer term. Outline figures have been provided on the potential level of investment funding that may be required;

39.6 A series of outline business cases have been prepared in support of departmental operations. These include ICT support services for the Clerks, Ceremonial and Executive (CCE) services programme, the Hansard and Audio Visual (H&AV) programme, and to replace a number of legacy systems (e.g. PAD) in the Department of Facilities.

40. The Board should decide:

- What is the appropriate level of ICT investment programme to recommend to F&S and the Commission?
- Which of the bids made should be incorporated in the plans or presented as options?

41. The Lords have simply identified the ICT bid to their House Committee, without putting forward proposals on priorities at this stage.

	2008/09 £k	2009/10 £k	2010/11 £k	2011/12 £k
Infrastructure programme				
(resource)	2,574	4,083	2,568	241
(capital)	1,080	2,000	500	0
(savings)	0	(900)	(500)	(200)
Knowledge management	45	900	1,000	1,000
R&D	0	1,000	1,000	1,000
SPIRE	300	1,400	1,850	3,600
Clerks, Ceremonial & Executive	350	500	350	350
Hansard and Audio Visual	0	445	350	200
Facilities support	0	1,000	1,000	1,000
<i>Total</i>	<i>4,349</i>	<i>10,428</i>	<i>8,118</i>	<i>7,191</i>

<i>Commons</i>	<i>3,479</i>	<i>8,342</i>	<i>6,494</i>	<i>5,753</i>
<i>Lords</i>	<i>870</i>	<i>2,086</i>	<i>1,624</i>	<i>1,438</i>

(v) Works programme

42. In recent years the cost of the Works programme expenditure has reduced. This is in contrast to the build up of a backlog of critical projects and the deterioration in the general condition of some buildings on the Estate as reflected in the values assigned in the Resource Accounts. Flexibility around the accommodation available is

limited and it is important best use is made of the existing facilities.

43. The Estates Board is in the process of drawing up a new strategy for the Works on the Estate. Significant investment projects include the mechanical and engineering (M&E) programme, cast iron roofs, and upgrading the standards of fire protection.
44. The Works projects programme below identifies commitments on existing projects which already have business cases agreed and then other new projects. The projects are shown with gross costs (i.e. including the Lords share) to provide an overview of the complete Works programme. The current requirement to undertake the greater part of the programme during recess periods places constraints on the number of projects that can be practically delivered. A number of projects are also contingent on each other and need to be timetabled accordingly.

	Resource			Capital		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
(i) BC Approved						
1 Millbank refurbishment (Lords only)				3,783	15,530	10,447
Cast iron roofs: Speakers Court				3,000	3,000	0
Automatic Fire detection				1,000	6,000	5,000
M&E services programme				525	0	0
Plant Room: short term repairs	980	0	0			
Security: Road Barriers (Phase 1c)				3,543	0	0
Terrace cafeteria: severy refurbishment	255	0	0			
Repairs carriage gates				324	0	0
Disabled access: PoW	300	400	0			
Other	75	50	50	349	99	0
	1,610	450	50	12,524	24,629	15,447
Commons	1,077	270	30	5,247	5,459	3,000
Lords	533	180	20	7,277	19,170	12,447
	1,610	450	50	12,524	24,629	15,447

(ii) Other projects

(a) Security related:

Offsite scheme		6,500	5,500			
less: storage savings		(1,000)	(1,000)			
PH security entrances	240	2,500	0			
Blast resistant glazing	84	360	10,472			
Road barriers: permanent scheme				223	5,512	0
Security control room				8	3,135	130
Security frameroom				0	1,100	0

(b) Fire & safety

Fire suppression	120	1,545	83			
Fire alarms NSN				11	1,185	1,155
Fire compartmentation				40	1,220	1,220

(c) Maintenance

Drainage survey	400	17	0			
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Roof safety programme	144	960	480			
Terrace cafeteria: servery /kitchens	557	45	0	370	19	0
Mechanical and electrical refurbishment				1,715	18,500	17,600
PoW wiring replacement				30	1,150	1,150
Underground car park				111	830	5,000
Cast iron roofs				500	800	0
Committees Rooms fit out (HoL)				700	15	0
Annunciators to digital				8	1,110	41
Stone repairs				45	2,417	4,540
<i>(d) Accommodation</i>						
Canon Row refurbishment				0	370	2,575
Derby Gate refurbishment				0	655	5,085
Tothill Street				6,215	113	0
Committee Room webcams				240	300	0
<i>(e) Other</i>						
Various projects	181	5,498	2,182	439	4,238	3,530
	1,726	16,425	17,717	10,655	42,669	42,026
Commons	888	10,579	9,951	8,652	36,738	34,789
Lords	838	5,846	7,766	2,003	5,931	7,236
	1,726	16,425	17,717	10,655	42,669	42,025

45. A further bid to recruit interim project managers, at a shared cost of £600,000 per annum, has been made. This resource is to enhance the planning and deliver capability of the Works Directorate. The funding should be short-term term expenditure while staff resources in DF are reviewed.
46. A detailed list of projects has been provided to identify those projects that contribute most significantly to the planned Works budget, particularly for 2009/10.
47. The Lords paper to their House Committee has proposed a reduction in the planned funding of the 1 Millbank project (Lords only project) in both 2009/10 and 2010/11, presumably on the basis of likely timetable delays. At this stage they have simply highlighted the planned extent of the other Works projects to their House Committee.
48. The Board should decide:
- What level of investment do you wish to make in the works programme?
 - Which of these projects should be given timetable priority, if the Commission is unwilling to provide significant levels of funding in the short term?

(vi) Other bids

49. A number of other bids have been submitted that although totalling around £1.5 million per annum are individually small. It is recommended these be absorbed within current baseline.

Efficiency savings

50. No direct areas of potential savings were identified in the plans submitted, although some departments have signified the intention to undertaking a zero based review (ZBB) of staff use to help identify where resources might be best employed. The result of these exercises will feed into 2009/10 budget forecast and next year's planning exercise.
51. If the Commission wish to introduce the proposed new Regional Committees and e-petitions on a cost neutral basis that it would be necessary to identify where significant savings could be generated. In the longer term, it is possible to envisage some quite radical ways of reducing costs (outsourcing services, abandoning paper publication of the Vote Bundle, Hansard etc), but exploring these options will be controversial.
- Do you want further work to be undertaken to develop feasibility options for making savings in the future?
 - If so, how radical do you want to be?

Scenarios

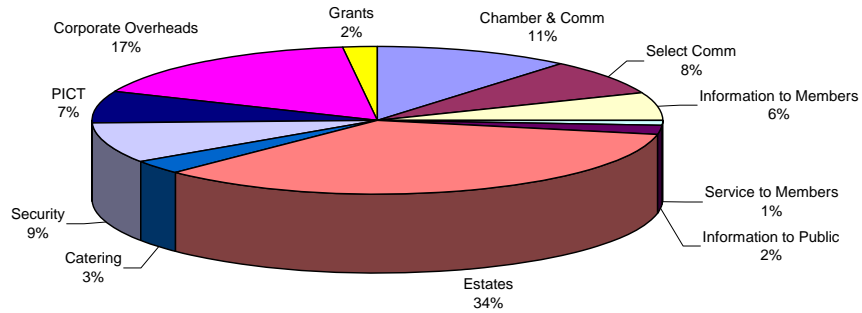
52. Some scenarios (or packages of bids), to show what might be achieved at different levels of funding, will be presented at the Board meeting, in order to assist the Board's discussion of its priorities and how these might be presented to the F&S Committee and/or the Commission.

Office of the Chief Executive / Department of Resources

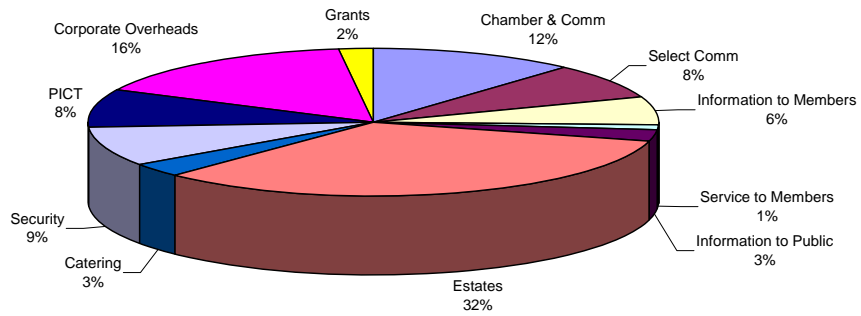
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Appendix A

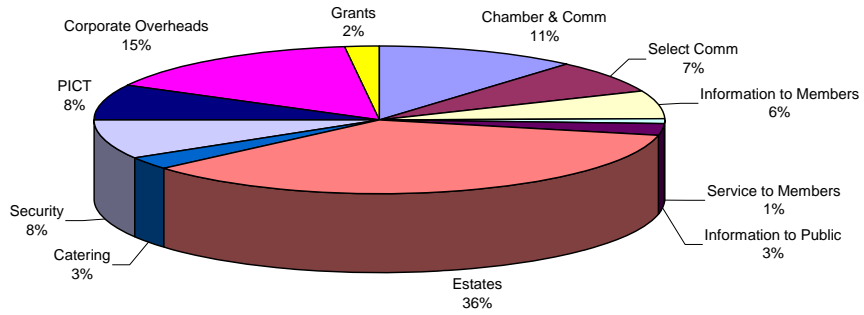
2008/09 Budgeted Resource Expenditure by Function



2009/10 Planned Resource Expenditure by Function



2010/11 Planned Resource Expenditure by Function



2011/12 Planned Resource Expenditure by Function

