

Management Board

Business Planning for 2010/11: setting the direction

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

1. Purpose

- 1.1 To assist the Management Board in setting the direction for the next business planning round.

2. Actions for the Board

- 2.1 The Board is invited to:
 - a. Decide on its strategic priorities for 2010/11 and beyond, in order to steer production of the Corporate Business Plan and associated financial plans
 - b. Decide on the financial strategy to be followed, and the extent to which efficiency savings should be pressed for
 - c. Consider the distribution of resource, identifying areas where additional or less resource might be allocated
 - d. Note the findings of the recent audit of budget management and the draft management response.

3. Business and Financial Planning for 2010/11

- 3.1 We are shortly to begin the next round of business and financial planning, which will lead to publication, early in 2010, of the Corporate Business Plan 2010/11. It is proposed to move the process earlier this year, with Departments making their bids by June, so as to allow for review meetings with Director Generals before the Summer recess. An outline timetable is attached at Annex A.
- 3.2 A key aim is to encourage managers at all levels to plan activity and to think innovatively about the use of resources, rather than treating the annual planning exercise as a single task undertaken by business managers towards the end of the summer recess. Although there needs to be flexibility to allow for late bids up and until the Autumn (not least, to accommodate Member-driven initiatives, such as regional committees), there is scope for initial planning, especially around big projects and shared services with the Lords, to be taken forward earlier in the year. In the past, the Board has relied on suggestions being brought forward through the planning process, rather than driving the process itself. Last year, the Board did not establish its priorities and its approach to efficiency savings till September. **It would be helpful if**

the Board could establish at the beginning of the planning process this year what the overall direction should be, so that this can be clearly communicated to Departments.

- 3.3 It is not suggested that the Board should review its long-term strategy at this stage. It is planned that that should be done next year, once the balanced scorecard is fully implemented, with a view to suggesting a new Strategic Plan to the Commission at the end of 2010.

4. Internal Audit Review of Budget Management

- 4.1 In considering its approach to the next business planning round, and to financial management more generally, the Board should be aware of the findings of a recent Internal Audit review of budget management. Several of the review's recommendations are directed at the Management Board itself. The audit report, together with a draft management response, is being circulated separately as MB2009.P.41A.

5. Drivers for change – external and internal

- 5.1 **The Board might first want to think through what are the likely drivers for change over the next year.**

- 5.2 There are a number of potential external drivers:

- The economic climate and the cuts in other parts of the public service
- The next election
- Public opinion / Committee on Standards in Public Life pressure for reform of Members' Allowances
- Public / government pressure for environmental sustainability
- New technologies
- Changes in the security situation.

- 5.3 We can also expect some internal drivers:

- The forthcoming Members' survey
- Member pressure for new services: for example, more electronic delivery of services and more services in the constituency
- Increasing pressure to control staff numbers and overheads
- "Business" demand for more ICT services
- Estates now capable of delivering an Estates Strategy – at considerable cost.

6. Priorities

- 6.1 Last year the Board agreed three priorities as needing particular management focus and – if necessary – more money:

- The Estate
- IT services
- Delivery of Members' Allowances.

- **Do these remain priorities for the next financial year?**

- **Are they sufficiently defined? (For example, which aspects of IT or Estate management do you think should have priority?)**

- **Are there any other emerging priorities?**

7. Financial strategy

7.1 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. It commits the Board to identifying efficiency savings that can be re-cycled to finance planned investment, but acknowledges that additional resources may be required to meet future security requirements and high-value works projects.

- **Is that financial strategy likely to remain valid, or should we anticipate political pressure for reduced expenditure next year, given the economic climate?**

7.2 Last year, for the first time, we presented financial options to the Finance and Services Committee, and to the Commission, rather than a single plan. This seems to have been well-received, though the F&S Committee felt that the "save money / cut services" option was not really open to them, at least in the short term, because many services had been agreed by the House. This year it is proposed that we present the emerging plans to the F&S Committee in July, in order to invite their views on priorities at a time when they can influence the planning process, as well as the finalised plans (on the basis of options) in November.

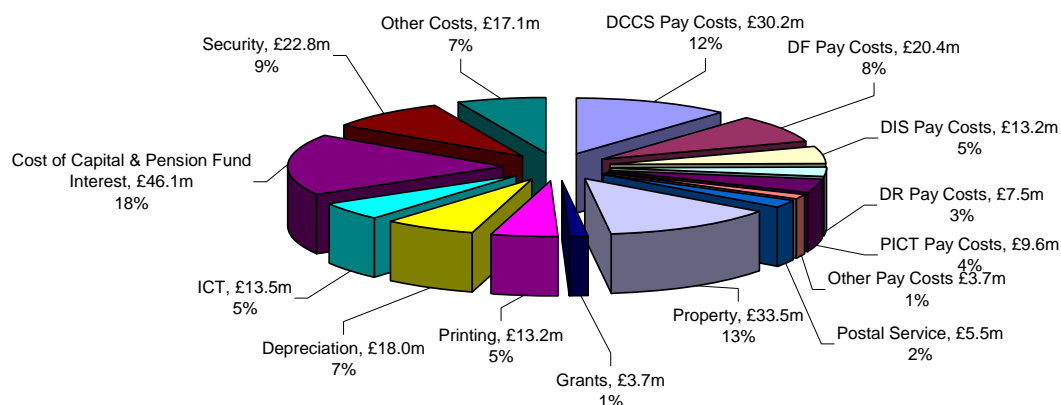
- **Does the Board agree that we should again aim to present financial options to the Finance & Services Committee and the Commission?**

7.3 The table below presents a rough division of current expenditure. Attached at Annex B is a provisional outturn for 2008-09, which shows a continuing pattern of underspending.

- **Is the Board content that the current allocation of resources is broadly appropriate, given its goals and priorities, or should we be seeking to redistribute resources?**

- Given the pattern of underspend, should we reduce budgets in those areas which have underspent?

Spending Plans 2009/10 - Total £258 million



8. Efficiency savings

8.1 Whether or not there is political pressure to reduce expenditure this year, it is likely that we will need to increase our efficiency to fund planned investment in the priority areas. If our overall budget is not to increase, other parts of the Service will need to reduce costs.

8.2 Last year, the Board was reluctant to impose stringent efficiency cuts, or zero-based budgeting, across the House Service, at a time when Departments were still responding to the challenges of restructuring. The Board has emphasised to staff the need to achieve, and demonstrate, value for money, but – arguably – has not yet done much to reinforce this message.

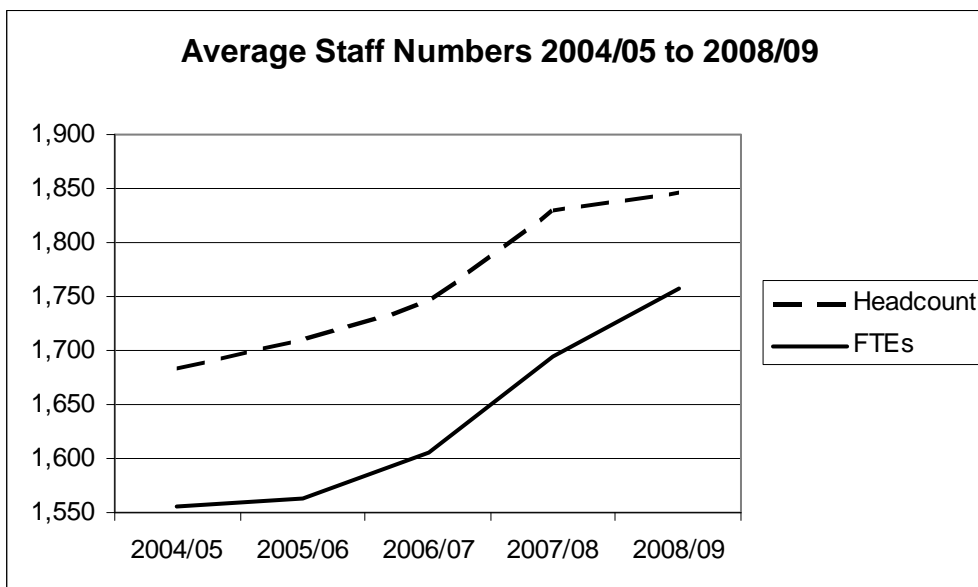
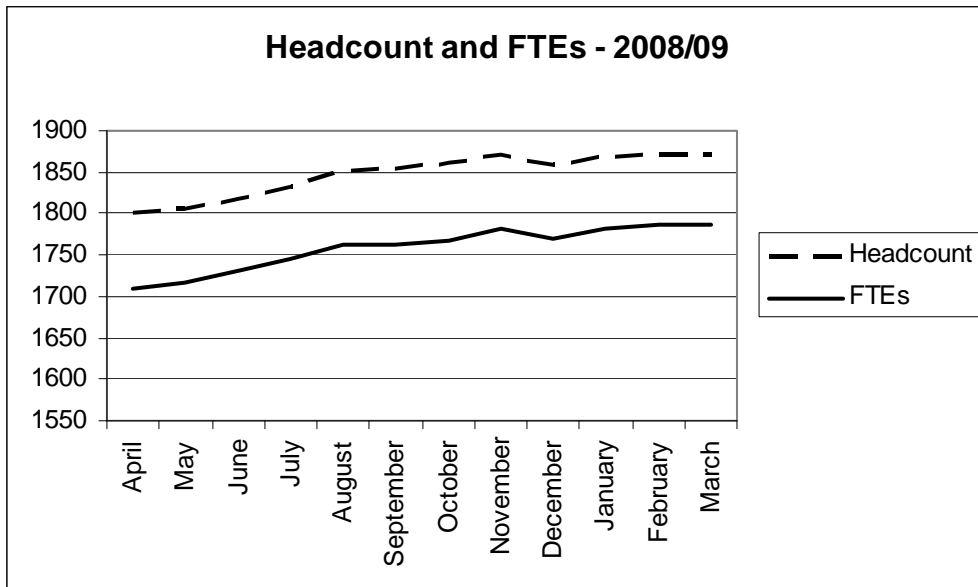
- How rigorously should cost efficiency be pursued in the next planning round?
- What is the best way of ensuring that managers achieve greater efficiency?

8.3 Last year, we asked Departments to prepare bids on the basis of three different funding assumptions: current baselines, more money (to get them to think imaginatively about potential new services), and less money (to get them to think about priorities and efficiency). Departments found this difficult, and rather artificial.

- **Should we again ask Departments to prepare bids on the basis of different (current, more, less) funding scenarios?**

9. Staffing

9.1 Both staff costs and numbers (measured as full time equivalent staff) have increased significantly in recent years. This increase in staff numbers contributes to pressure on accommodation and services as well as to direct and indirect (eg ICT) staff costs, and looks bad to Members.



10. Both graphs show a continued upward growth in staff numbers, which is interesting as salaries have traditionally been underspent. Another interesting feature is the general convergence between headcount and FTE totals, with a particular flattening of the headcount trend during 2008/09. This may suggest the House is engaging less part-time staff, but the trend needs to be investigated further.

Staff costs

	2004/05	2005/06	2006/07	2007/08	2008/09
Cost £000	55,760	60,099	65,420	74,451	77,600

11. Last year, the Board decided not to impose a cap on Departments' staff numbers, on the grounds that this would be too blunt a weapon and unjust on a Department which was significantly expanding services. Some Departments were intending to carry out zero-based staff reviews in certain areas.
- **Is the Board content to allow the growth in staff numbers to continue, if this is a consequence of providing additional or improved services to Members, or should we reallocate staff to meet new priorities?**
 - **If the Board wants to take a firmer control this year on staff numbers, how should this be done?**
 - **Would a House-wide cap on staff numbers be effective?**
 - **Would you consider a House-wide zero-based staff review?**
 - **Should we encourage Departments to outsource?**
 - **Is there scope for achieving cost efficiencies against staff related expenditure given the underspends experienced in this area in recent years?**

Office of the Chief Executive / Department of Resources

April 2009

ANNEX A

OUTLINE TIMETABLE FOR BUSINESS PLANNING FOR 2010/11

	Financial and Business Plans
April 2009	Management Board to consider strategic direction for Corporate Business Plan 2010/11 Outline business cases for major projects and programmes under preparation
May 2009	Commissioning note for Corporate Business Plan and financial planning exercise Investment project/ programme priorities shared Lords and other departments before sign-off (JBSB, PEB et al)
June 2009	Departmental proposals submitted to Head OCE and Director FMD Outline business cases for investments to accompany Plans
July 2009	Bilateral meetings with departments to discuss bids/savings proposed for 2010/11 to 2012/13 Management Board to review strategic direction of Corporate Plan Presentation of emerging plan to Finance and Services Committee
August 2009	
September 2009	Further negotiation with Departments / review of priorities
October 2009	Management Board to consider outline Corporate Plan and financial options for 2010/11 to 2012/13 Possible Westminster Hall debate on forward budget
November 2009	Draft Corporate Plan and financial options to F&S Committee
December 2009	Draft Corporate Plan and F&S recommended financial option to the Commission
January 2010	Revised final baselines 2010/11 to 2012/13 issued to departments
February 2010	Publication of Corporate Plan 2010/11
March 2010	Publication of Departmental Plans

ANNEX B

PROVISIONAL OUTTURN 2008/09

	2008/09 Budget	2008/09 Mid Year Forecast	2008/09 Third Quarter Forecast	2008/09 Outturn	2009/10 Budget
	£ million	£ million	£ million	£ million	£ million
Resource Costs					
Receipts	-9.2	-9.1	-9.4	-9.3	-9.2
Salaries	79.3	78.0	78.3	77.6	84.5
Accommodation	33.5	31.4	31.5	30.6	33.5
Security	21.9	21.6	21.0	20.7	22.8
Information	15.9	15.9	15.8	14.7	16.2
Communication and Computers	13.8	14.5	14.0	12.2	16.2
Professional Services	5.3	5.5	5.5	5.4	5.5
Catering	3.8	3.9	3.9	3.9	3.9
Other Costs	14.0	13.0	12.5	11.8	20.5
Depreciation and other non-cash costs	64.1	64.1	65.1	62.2	64.1
Central Reserves	1.6	0.0	0.0	0.0	0.0
TOTAL	244.0	238.8	238.2	229.8	258.0

	2008/09 Budget	2008/09 Mid Year Forecast	2008/09 Third Quarter Forecast	2008/09 Outturn	2009/10 Budget
	£ million	£ million	£ million	£ million	£ million
Capital Expenditure					
Estates Projects	9.9	9.0	3.4	2.6	16.5
ICT Related Projects	1.8	1.8	1.6	1.8	2.8
Other	0.3	0.3	0.6	0.8	0.2
TOTAL	12.0	11.1	5.6	5.2	19.5