

MANAGEMENT BOARD

2010/11 ADMINISTRATION ESTIMATE: MONTHLY OUTTURN REPORT

Note by the Director of Financial Management

Purpose

1. This paper provides an updated forecast outturn for 2010/11 at the end of December 2010. It shows a forecast deficit of £2.3 million after taking account of non-cash adjustments for pensions and Estate related items. Although there has been a history of underspending towards the year end in previous years, it is expected to be less marked this year because of the greater emphasis placed on quality forecasts in the last half of the financial year.
2. The Board is asked to consider options for meeting the shortfall, including the possibility of a Supplementary Estimate given the unforeseen £8.8 million increase in non-cash costs on pensions.

Overall position

3. A detailed analysis of the forecast returns is provided in the Annex.
4. The Administration Estimate is made up of two Request for Resources (RfR) control totals. RfR1 covers the main administration expenditure (£215.3 million) while RfR2 is for the grant in aid payments to the History of Parliament Trust and other parliamentary bodies (£3.7 million). Under current procedures it is not possible to offset balances on RfRs and a Supplementary Estimate would be required to transfer resources between them.
5. Although the latest forecast shows an overall budget deficit of £2.0 million this is comprised of a forecast overspend on RfR1 (£2.3 million) partly offset by an RfR2 underspend (£0.3 million). The latter represents the withholding of some grant in aid payments to manage the level of reserve accumulation in grant funded bodies.

	Estimate £ million	Forecast £ million	Variance £ million
RfR1	215.3	217.6	(2.3)
RfR2	3.7	3.4	0.3
Total	219.0	221.0	(2.0)

6. The level of forecast underspend has traditionally grown towards the year end. While additional steps have been taken to improve the quality of forecasts, through the provision of additional training and greater challenge within departments, it is still expected that further underspends will emerge in the next two months. Those areas forecasting balanced, or near balanced, budgets have received further challenge and all forecast have been signed off by Heads of Department.

Department	Underspend end Oct 10	Underspend end Nov 10	Underspend end Dec 10	Change Oct/Dec	
	£000	£000	£000	£000	% of Budget
Speaker's Office	54	33	69	15	9.8
DCCS	349	632	1,467	1,118	1.7
DF	0	63	0	0	0.0
DIS	(169)	362	702	871	4.8
DR	(257)	(445)	182	439	4.2
PICT	1,657	1,626	1,658	1	
OCE	59	55	2	(57)	(3.5)
SecCoOrd	(34)	17	5	39	27.6
Grant-in-Aid	326	326	260	(66)	1.8
Total	1,985	2,669	4,345	2,360	1.2

7. The delay on some Works programmes has contributed to a capital underspend of £3.4 million (18.9%).

Specific issues

8. The significant increase in pension costs (£8.8 million) based on calculations by the Government Actuary's Department in the light of changes to the discount and interest rates have been challenged. The sensitivity analysis to date, however, suggests that amending assumptions would have little impact on the overall figures. The methodology adopted for valuing pension schemes must also follow the requirements of accounting standards (FRS17) which leave only limited scope for changing policy. The figures will not be finalised until the year end, but they are not expected to change significantly.

9. The 2009/10 accounts recognised a £40.5 million adjustment for impairments arising from the revaluation of the Estate. The latest forecast valuation, which again cannot be finalised until the year end, has marginally reversed the impairment on Portcullis House and the Normal Shaw buildings providing an offset of £4.4 million. In effect, this franks half of the pension cost increase. In addition, it is proposed to recognise dilapidation costs, through the creation of a provision in the accounts, of £733,000 (Commons share £440,000) for Tothill Street. Both the pension and Estate adjustments are included in the Central Provision table in the Annex.

10. Overspends have also emerged on certain projects whose budgets are administered through the Project Provision. Most of these are ICT based and are managed by departments with PICT acting as supplier. Discussions have highlighted differences of opinion on the management of such budgets,

especially where they are cross cutting. This has made it difficult to control budgetary issues and the matter is being taken up with PICTAB to assign responsibility where uncertainties exist.

11. A budget of £2 million to cover the Voluntary Exit scheme for all departments, including PICT, has been included in the forecast.

Mitigating risk

12. It is important that **all budget holders now stay within their forecast budgets** to provide sufficient surplus resources to frank the additional costs incurred on pensions. Any requests to exceed the latest forecast will need to be cleared through FMD who will continue to monitor the overall position.

13. It is possible that further underspends will emerge towards the year end. A funding gap of £2.3 million, with associated year end adjustments that could either add to or help mitigate this potential overspend is, however, large. The Board may wish to consider the following options:

- (i) Identify project and other areas of discretionary expenditure which could be delayed (e.g. restricting the number of Voluntary Exits agreed). Any decisions would need to be taken at the 2011 February Board meeting at the latest, but preferably before; or
- (ii) Seek permission from the Commission to utilise the Commission Reserve, currently holding a balance of £3.4 million, if necessary to frank any overspend. Specific items of additional expenditure (e.g. Offsite Consolidation Centre) could be identified for this purpose. This may be more acceptable politically than seeking a Supplementary Estimate; or
- (iii) Seek a Spring Supplementary Estimate of up to £2.3 million. This would need to be done urgently.

Conclusion

14. The latest forecast suggests that expenditure will be tight if all existing commitments, including the full use of the Voluntary Exit budget, are met. The Board is asked to decide:

- (i) The extent to which reliance should be placed on further underspends being identified;
- (ii) Whether further work should be undertaken to explore where project or other discretionary areas of expenditure should be curtailed;

(iii) If the Commission should be approached about either (a) using the Commission Reserve to frank any final shortfall; or (b) seeking a Supplementary Estimate.

C Ridley
21 January 2010

ANNEX

Summary

Resource	Budget	April to December Actuals	January to March Forecast	Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Receipts	(10,384)	(7,091)	(3,079)	(10,170)	(214)
Salaries	86,796	68,288	25,702	93,990	(7,194)
Other Staff Costs	19,569	1,498	22,650	24,148	(4,578)
Travel and Subsistence	2,961	1,185	1,225	2,410	551
Information	14,593	9,893	3,951	13,844	749
Broadcasting	193	56	117	173	20
Communications	6,908	4,471	1,558	6,029	879
Computers	7,098	4,606	2,441	7,047	51
Catering Supplies	3,608	2,388	777	3,165	443
Other Supplies	370	215	55	270	100
Office Supplies	1,773	1,180	425	1,605	168
Finance and Professional Services	7,437	2,865	3,978	6,843	595
Grants	3,700	2,772	668	3,440	260
Accommodation	34,624	26,155	8,872	35,027	(402)
Security	24,247	14,506	7,438	21,944	2,303
Non-cash Expenditure	15,504	11,375	(100)	11,275	4,229
Total	219,000	144,362	76,677	221,039	(2,040)

Capital					
Total	20,000	9,876	6,338	16,214	3,786

Speaker's Office

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	-	-	-	-	-
Salaries	427	366	123	489	(62)
Other Staff Costs	13	5	-	5	7
Travel and Subsistence	220	52	62	114	106
Information	6	6	1	8	(1)
Communications	-	-	-	-	-
Computers	1	-	-	-	1
Catering Supplies	-	-	-	-	-
Office Supplies	11	5	2	8	3
Finance and Professional Services	24	8	1	9	15
Accommodation	3	1	-	1	2
Security	-	-	-	-	-
Non-cash Expenditure	-	1	1	2	(2)
Total	704	445	190	635	69
Capital Expenditure	-	-	-	-	-

**Department Chamber &
Committee Services**

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	(399)	(260)	(134)	(394)	(5)
Salaries	27,997	20,666	7,180	27,846	151
Other Staff Costs	243	102	80	182	61
Travel and Subsistence	2,074	807	994	1,801	273
Information	11,610	8,204	3,388	11,592	17
Broadcasting	193	56	117	173	20
Communications	1,245	847	347	1,194	51
Computers	76	57	14	71	4
Catering Supplies	-	-	-	-	-
Office Supplies	707	492	186	678	29
Finance and Professional Services	1,344	531	432	963	380
Accommodation	24	13	8	21	2
Security	22,135	14,400	7,385	21,785	350
Non-cash Expenditure	495	271	94	365	130
Total	67,744	42,186	20,091	66,277	1,467
Capital Expenditure	858	622	40	662	196

Department of Facilities

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	(9,023)	(6,149)	(2,796)	(8,944)	(78)
Salaries	20,365	15,285	5,166	20,451	(86)
Other Staff Costs	457	169	84	253	204
Travel and Subsistence	210	126	56	182	28
Information	52	29	13	43	9
Communications	3,215	2,209	863	3,072	143
Computers	-	-	-	-	-
Catering Supplies	3,978	2,597	1,052	3,649	329
Office Supplies	742	496	178	674	68
Finance and Professional Services	2,456	622	1,647	2,270	186
Accommodation	34,381	26,001	9,182	35,184	(803)
Security	-	-	-	-	-
Non-cash Expenditure	12,103	8,920	3,183	12,103	-
Total	68,935	50,307	18,628	68,935	0
Capital Expenditure	13,690	8,706	4,394	13,100	590

Department of Information Services

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	(962)	(681)	(281)	(962)	-
Salaries	13,648	10,226	3,672	13,898	(250)
Other Staff Costs	233	105	88	193	40
Travel and Subsistence	389	180	78	258	132
Information	2,697	1,496	515	2,011	687
Broadcasting	-	-	-	-	-
Communications	86	74	14	88	(1)
Computers	214	134	127	261	(47)
Catering Supplies	-	-	-	-	-
Office Supplies	103	101	20	121	(18)
Finance and Professional Services	1,179	364	514	978	201
Accommodation	187	116	47	163	24
Security	137	106	53	159	(22)
Non-cash Expenditure	148	101	88	189	(41)
Total	18,059	12,422	4,935	17,357	702
Capital Expenditure	95	80	24	104	(9)

Department of Resources

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	-	(1)	-	(1)	1
Salaries	6,840	5,580	1,675	7,255	(415)
Other Staff Costs	1,207	828	370	1,198	9
Travel and Subsistence	33	7	9	16	17
Information	65	39	7	46	19
Communications	3	3	2	5	(2)
Computers	40	43	12	55	(15)
Catering Supplies	-	1	-	1	(1)
Office Supplies	60	63	15	78	(18)
Finance and Professional Services	1,930	1,004	501	1,505	425
Accommodation	-	-	-	-	-
Security	-	-	-	-	-
Non-cash Expenditure	200	28	12	40	160
Total	10,378	7,594	2,603	10,197	182
Capital Expenditure	20	(3)	-	(3)	22

Office of the Chief Executive

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	-	-	-	-	-
Salaries	1,228	916	318	1,234	(5)
Other Staff Costs	25	14	11	25	-
Travel and Subsistence	5	-	-	-	4
Information	42	27	9	36	6
Communications	1	-	-	-	1
Computers	4	-	9	9	(5)
Catering Supplies	-	-	-	-	-
Office Supplies	24	12	6	18	6
Finance and Professional Services	291	159	131	290	1
Non-cash Expenditure	-	6	-	6	(6)
Total	1,619	1,133	484	1,617	2
Capital Expenditure	-	-	-	-	-

**Parliamentary Security
Coordinator**

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Salaries	78	55	38	92	(14)
Other Staff Costs	1	-	-	-	-
Travel and Subsistence	-	-	1	1	(1)
Information	-	-	-	-	-
Communications	-	-	-	-	-
Catering Supplies	-	-	-	-	-
Office Supplies	62	-	1	1	61
Finance and Professional Services	-	-	-	-	-
Non-cash Expenditure	-	-	40	40	(40)
Total	141	55	80	135	5
Capital Expenditure	-	-	-	-	-

PICT

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	-	-	-	-	-
Salaries	9,689	7,468	2,406	9,874	(185)
Other Staff Costs	318	222	65	287	30
Travel and Subsistence	26	9	4	13	13
Information	113	91	12	103	10
Communications	2,356	1,358	441	1,799	557
Computers	5,096	3,386	1,251	4,637	459
Catering Supplies	-	-	-	-	-
Office Supplies	64	14	6	20	45
Finance and Professional Services	25	12	13	25	-
Accommodation	31	23	8	31	-
Non-cash Expenditure	2,557	1,413	416	1,829	729
Total	20,275	13,995	4,622	18,617	1,658
Capital Expenditure	2,280	330	1,160	1,490	790

Project Provision

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Receipts	-	-	(36)	(36)	36
Salaries	4,524	2,507	1,493	4,000	524
Other Staff Costs	74	53	23	76	(2)
Travel and Subsistence	4	4	2	6	(1)
Information	8	-	1	1	7
Broadcasting	-	-	-	-	-
Communications	2	(2)	1	(1)	3
Computers	1,668	986	1,028	2,014	(346)
Catering Supplies	-	-	-	-	-
Office Supplies	1	2	2	3	(3)
Finance and Professional Services	73	64	99	163	(90)
Accommodation	-	-	-	-	-
Security	-	-	-	-	-
Non-cash Expenditure	1	636	3	639	(638)
Total	6,356	4,250	2,616	6,866	(510)
Capital Expenditure	827	141	378	519	308

Grants in Aid

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Other Staff Costs	-	-	-	-	-
Catering Supplies	-	-	-	-	-
Office Supplies	-	-	-	-	-
Finance and Professional Services	-	-	-	-	-
Grants	3,700	2,772	668	3,440	260
Total	3,700	2,772	668	3,440	260
Capital Expenditure	-	-	-	-	-

Central Provision

	2010/11 Original Budget	April to December Actuals	January to March Forecast	2010/11 Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s
Resource Costs					
Salaries	2,000	5,220	3,697	8,917	(6,917)
Other Staff Costs	17,000	-	21,900	21,900	(4,900)
Travel and Subsistence	-	-	-	-	-
Information	-	-	-	-	-
Communications	-	-	-	-	-
Computers	-	-	-	-	-
Catering Supplies	-	-	-	-	-
Office Supplies	-	-	-	-	-
Finance and Professional Services	115	-	100	100	15
Accommodation	-	-	-	-	-
Other	1,975	-	-	-	1,975
Non-cash Expenditure	-	-	(3,937)	(3,937)	3,937
Total	21,090	5,220	21,760	26,980	(5,890)
Capital Expenditure	2,230	-	-	-	2,230