

Management Board

2011/12 Budget Forecast Outturn Report

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Purpose

1. This note provides the Board with a detailed forecast outturn and variance analysis on the 2011/12 budget. It is based on budget reports to the end of November 2011 and forecasts provided by departments in December.

Action for the Board

2. The Management Board is invited to:
 - a. ;
 - b. In the light of the decision on the purchase of the Curtis Green building, consider what change should be recommended for the Capital element of the Estimate for 2011/12.

Administration Estimate

Resource: Position at November 2011

3. Overall, expenditure to November 2011 was £2.5 million lower than the budget for the same period. An analysis by category is given below:

April to November 2011

	Actual	Revised Budget	Variance	
	£000s	£000s	£000s	%
Receipts	(7,121)	(7,221)	(100)	1.4
Salaries	56,889	58,024	1,135	2.0
Other Staff Costs	1,482	1,335	(147)	(11.0)
T&S	1,793	1,995	202	10.1
Information	9,884	9,675	(209)	(2.2)
Communications	4,031	4,214	183	4.3
Computers	4,889	5,587	698	12.5
Catering Supplies	2,358	2,373	15	0.6
Office Supplies	1,048	1,105	57	5.2
Professional Services	2,994	3,141	147	4.7
Grants	1,819	1,819	-	-

Estates Projects	2,296	2,846	550	19.3
Property	13,572	13,909	337	2.4
Maintenance	7,019	6,817	(202)	(3.0)
Security	14,554	14,613	59	0.4
Sub-total	117,507	120,232	2,725	2.3
Non-Cash Expenditure	10,434	10,246	(188)	(1.8)
Contingency	-	-	-	-
Total	127,941	130,478	2,537	1.9

4. The most significant variances are:

- a. Salaries with an underspend of £1.1 million occurring in all departments. The full year forecast is an underspend of £0.7 million as departments have assumed that the non-consolidated payments for 2011/12 will be made.
- b. Computer related costs with an underspend of £0.7 million principally in PICT and ICT programmes. This is largely due to expenditure being incurred later than assumed in the budget and the full year forecast is an overspend of £0.2 million.
- c. Estates Projects with an underspend of £0.5 million. This is largely due to expenditure being incurred later than assumed in the budget and the full year forecast is an underspend of £0.1 million.
- d. Property costs with an underspend of £0.3 million. This is largely due to expenditure being incurred later than assumed in the budget and the full year forecast is an overspend of £0.2 million.

5. The analysis of the variances by department is:

April to November 2011

	Actual	Revised Budget	Variance	
	£000s	£000s	£000s	%
DCCS	46,293	46,893	600	1.3
Facilities	45,179	45,832	653	1.4
DIS	10,962	11,141	179	1.6
DHRC	4,378	4,482	104	2.3
Finance	2,276	2,224	(52)	(2.3)
PICT	11,679	12,693	1,014	8.0
OCE	988	1,020	32	3.1
Speaker's Office	269	323	54	16.7
Security Coordinator	62	53	(9)	(17.0)
Programmes	4,984	4,946	(38)	(0.8)

	Sub-total	127,070	129,607	2,537	2.0
Central Provision		871	871	-	-
Contingency		-	-	-	-
	Total	127,941	130,478	2,537	1.9

6. Departmental reasons for significant variances are:

- a. DCCS – an underspend of £0.6 million principally on Salaries and Travel & Subsistence costs.
- b. Facilities – an underspend of £0.7 million principally relating to Estates Projects and Property costs discussed above.
- c. PICT – an underspend of £1.0 million principally relating to Salaries and Computer related costs discussed above.

Resource: latest forecast for the full year

7. The results of a review of the valuation of the Parliamentary Estate became available in November. The current estimate is for an increase in the valuation which will lead to a credit against the Estimate in the current financial year of £19.6 million. While this may change slightly given that the Resource Accounts need to reflect the position at 31 March 2012, it is clear that there will be a substantial credit this year. Paragraphs 21 to 25 below discuss the options arising from this credit and other issues relating to a Supplementary Estimate.
8. Before credit is taken for the change in valuation, the forecast is an underspend for the year of £9.4 million before a contingency of £8 million which has been included to cover 4 items with an approximate cost of £2 million each:
 - a. Provision for further dilapidation costs in respect of leased buildings.
 - b. Provision for the cost of the Voluntary Exit scheme.
 - c. Provision for changes in pension contributions and pension interest. These costs will be more accurately quantified when the Treasury paper setting assumptions for calculating pension contributions is issued later this month.
 - d. Provision for other financial risks.
9. The forecast for the full year after the contingency is an underspend of £1.4 million before the valuation credit and £21.0 million when that is taken into account. The forecast is analysed below:

2011/12 Full Year

	Forecast	Revised Budget	Variance	
	£000s	£000s	£000s	%
Receipts	(11,548)	(11,333)	215	(1.9)
Salaries	87,386	88,102	716	0.8
Other Staff Costs	2,251	2,220	(31)	(1.4)
T&S	3,058	3,152	94	3.0
Information	14,975	14,897	(78)	(0.5)
Communications	6,302	6,421	119	1.9
Computers	8,618	8,504	(114)	(1.3)
Catering Supplies	3,876	3,905	29	0.7
Office Supplies	1,634	1,710	76	4.4
Professional Services	5,612	5,790	178	3.1
Grants	2,567	2,567	-	-
Estates Projects	3,956	4,046	90	2.2
Property	21,487	21,320	(167)	(0.8)
Maintenance	10,430	10,716	286	2.7
Security	21,815	21,968	154	0.7
Sub-total	182,419	183,985	1,566	0.9
Non-Cash Expenditure	36,138	35,792	(346)	(1.0)
Contingency	8,000	8,223	223	2.7
Total	226,557	228,000	1,443	0.6
Property Valuation Change	(19,600)	-	19,600	
Net	206,957	228,000	21,043	

The significant variances are:

- a) Salaries with an underspend of £0.7 million principally in DCCS (£0.4 million) and ICT programmes (£0.1 million).
- b) Maintenance in Facilities with an underspend of £0.3 million.

10. The analysis of the variances for the full year by department is given below:

	Forecast	Revised Budget	Variance	
	£000s	£000s	£000s	%
DCCS	70,278	71,122	844	1.2
Facilities	69,186	69,595	409	0.6
DIS	17,815	17,843	28	0.2
DHRC	7,066	7,138	72	1.0
Finance	3,367	3,349	(18)	(0.5)
PICT	18,989	18,989	-	-
OCE	1,663	1,698	36	2.1
Speaker's Office	520	520	-	-
Security Coordinator	94	94	-	-
Programmes	7,835	7,682	(153)	(2.0)
Sub-total	196,813	198,030	1,217	0.6
Central Provision	21,744	21,747	3	0.0
Contingency	8,000	8,223	223	2.7
Total	226,557	228,000	1,443	0.6

Resource: risks and issues

11. In addition to the risks covered by the £8 million contingency covered in paragraph 7 above, there are the following issues:

- a. Members' stationery and postage. The forecast assumes a reduction in expenditure against the historical budget. However, the Commission revised the rules governing the use of Members' stationery to bring them more into line with those adopted by IPSA. This means that there is a risk that expenditure may increase in the rest of the year.
- b. The remains considerable uncertainty about whether the other financial risks, for which a contingency of £2 million has been set aside, will crystallise.

Capital Expenditure: Position at November 2011

12. Overall, capital expenditure to November 2011 is £0.7 million lower than the revised budget. This is analysed by department below:

April to November 2011

	Actual	Revised Budget	Variance	
	£000s	£000s	£000s	%
DCCS	54	15	(39)	(260.0)
Facilities	6,150	6,830	680	10.0
DIS	47	39	(8)	(20.5)
DHRC	-	10	10	100.0
Finance	-	9	9	100.0
PICT	169	212	43	20.3
Programmes	213	216	3	1.4
Sub-total	6,633	7,331	698	9.5
Central Provision	-	-	-	-
Contingency	-	-	-	-
Total	6,633	7,331	698	9.5

Capital Expenditure: latest forecast for the full year

13. The latest forecast gives an underspend for the year of £6.6 million which is analysed by department below:

2011/12 Full Year

	Forecast	Revised Budget	Variance	
	£000s	£000s	£000s	%
DCCS	104	110	6	5.5
Facilities	12,318	13,424	1,106	8.2
DIS	65	57	(8)	(14.0)
DHRC	20	31	11	35.5
Finance	12	21	9	42.9
PICT	419	419	-	-
Programmes	500	508	8	1.6
Sub-total	13,438	14,570	1,132	7.8
Central Provision	-	-	-	-
Contingency	-	5,430	5,430	100.0
Total	13,438	20,000	6,562	32.8

14. The major element of the underspend is the release of the contingency which was created from underspends when the budget was revised in September.

The major areas of underspend which created the contingency are the refurbishment of 53 Parliament Street and on fire safety schemes.

15.

Members Estimate

Position at November 2011

16. Expenditure to November 2011 on Resource Costs is £1.0 million lower than the budget for the same period. Capital Expenditure is slightly lower than budget. The position at November is analysed below:

	April to November 2011			
	Actual	Revised Budget	Variance	
	£000s	£000s	£000s	%
Resource Costs				
Contributions to Members Pension Fund	9,063	9,667	604	6.2
Financial Assistance to Opposition Parties	4,288	4,249	(39)	(0.9)
IT Expenditure	30	333	303	91.0
Other Costs	622	780	158	20.3
Sub-Total	14,003	15,029	1,026	6.8
Interest on Pension Liabilities	-	-	-	-
Depreciation	-	-	-	-
Other non-cash costs	-	-	-	-
Total Resource Costs	14,003	15,029	1,026	6.8
Capital Expenditure	104	133	29	21.8

17. The most significant variances are:

- (a) Contributions to Members Pension Fund are £0.6 million lower than budget due to lower contribution levels than assumed in the budget; and
- (b) IT Expenditure is £0.3 million lower than budget to this point due to differences in the timing of payments from those assumed in the budget.

Latest forecast for the full year

18. The latest forecast shows an underspend of £4.7 million on Resource and assumes that Capital Expenditure will be at budget levels. This is analysed below:

	2011/12 Full Year			
	Forecast	Revised Budget	Variance	
	£000s	£000s	£000s	%
Resource Costs				
Contributions to Members Pension Fund	13,622	14,500	878	6.1
Financial Assistance to Opposition Parties	6,588	6,374	(214)	(3.4)
IT Expenditure	500	500	-	-
Other Costs	873	1,026	153	14.9
Sub-Total	21,583	22,400	817	3.6
Interest on Pension Liabilities	8,100	12,000	3,900	32.5
Depreciation	1,000	1,000	-	-
Other non-cash costs	80	100	20	20.0
Total Resource Costs	30,763	35,500	4,737	13.3
Capital Expenditure	200	200	-	-

19. The most significant variances are:

- (a) Contributions to Members Pension Fund with an underspend of £0.9 million reflecting the lower than assumed contributions that are being made;
- (b) An increase from budget of £0.2 million in Financial Assistance to Opposition Parties assuming that the full amounts available will be paid; and
- (c) A reduction in Interest on Pension Liabilities of £3.9 million reflecting the lower liability in the 2011/12 Resource Accounts and the change from RPI to CPI.

Risks and issues

20. The major areas of risk are the costs associated with the Members Pension Fund. A triennial full valuation of the Pension Fund is due this year and could lead to changes in the contribution rate, valuation of the fund's assets and changes to the liability which would affect the Interest charge. It is not possible to judge the outcome of the review in advance.

Need for a Supplementary Estimate

21. Government Departments are laying only Spring Supplementary Estimates in 2011/12 and the Treasury is planning to lay them in early February 2012. As a change from previous practice where Estimates could only be increased,

2011/12 is the first year where Estimates can be reduced in the Supplementary Estimate. A proposal for a Supplementary Estimate for the House Administration Estimate would need to be approved by the Finance & Services Committee and the Commission in January 2012.

22. The credit arising from the revaluation of the Parliamentary Estate gives scope for a significant reduction in the Resource element of the Administration Estimate. It also gives the opportunity for further investments this year which could focus on spend to save opportunities. However, there are only four months of the year left and this severely limits the scope for further investment.

23. Subject to the identification of further investments, there would be presentational benefits to reducing the Resource element of the Estimate by the credit arising from revaluation (£19.6 million) which would leave a forecast underspend of £1.4 million as a further contingency. In effect this represents a partial reversal of the Supplementary Estimate for £40.5 million in 2009/10 required when there was a significant reduction in the value of the Estate.

24.

Financial and Procurement Implications

25. Financial matters are integral to this report. This report has no procurement implications.

Equality Implications

26. This report has no equality implications.

[s.40]

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