



HOUSE OF LORDS

Management Board

Period 12 Finance Report

Responsible Board Member(s) Philippa Tudor
Paper prepared by Martina Marshall

Date 3 June 2010

Summary: The unaudited results for the year ended 31 March 2010 are indicating a resource underspend of £3.6m (3.0%) and a capital underspend of £2.9m (21.8%).

Summary of actions requested:

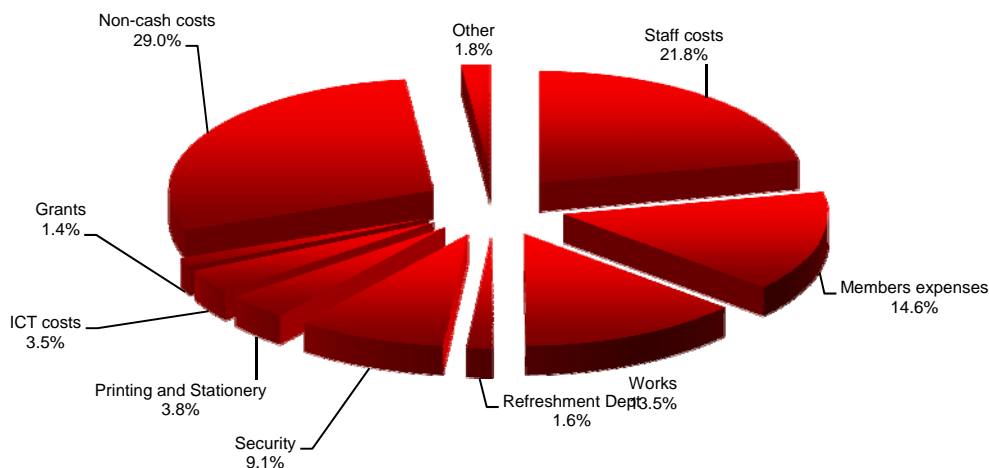
- The Board is invited to take note of the 2009-10 year end financial results.

Overview

1. This paper reviews the expenditure for the year ended 31 March 2010.
2. The unaudited results for the year ended 31 March 2010 are indicating a resource underspend of £3.6m (3.0%) and a capital underspend of £2.9m (21.8%).
3. Explanations of results are detailed in paragraphs 4 to 10 below.

	Revised Forecast Estimate 2009-10 £000s	Year to Date spend 2009-10 £000s	Variance against Forecast under/ (over) £000	YTD spend as % of Revised Forecast
Administration Resource Expenditure	68,585	66,359	2,226	96.8
Estates and Works Resource Expenditure	49,458	48,399	1,059	97.9
Total Resource Expenditure	118,043	114,758	3,285	97.2
Administration Capital Expenditure	1,345	1,096	249	81.5
Estates and Works Capital Expenditure	11,754	9,147	2,597	77.8
Total Capital Expenditure	13,099	10,243	2,856	78.2
Total	131,142	125,001	6,141	95.3

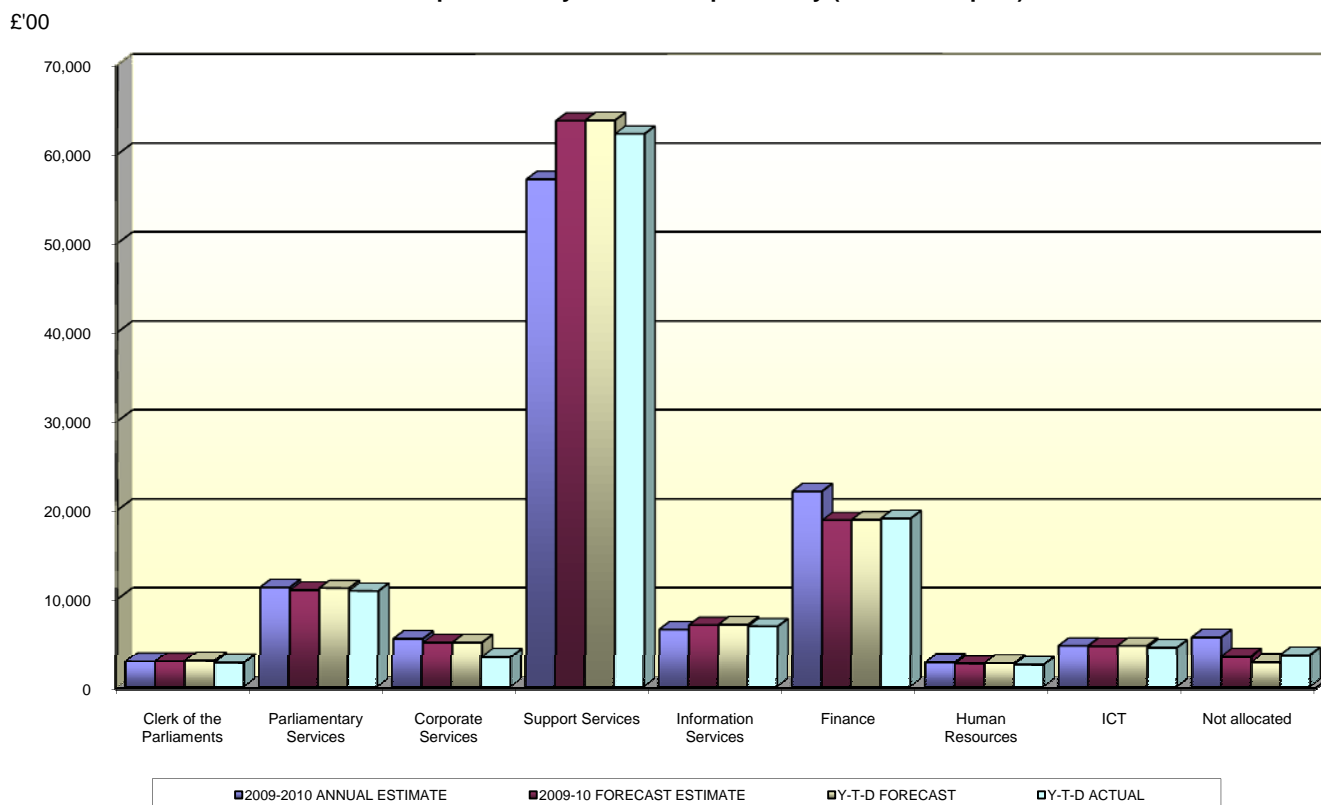
Resource Expenditure by significant area of spend (excludes income and capital spend)



Key Highlights – Capital and Resource Expenditure (annex I)

4. Capital investment is underspent by £2.9m predominantly due to the Works underspend of £2.6m primarily caused by the phasing of the Millbank island site project.
5. IT and IS services underspend of £1.7m is due to ICT project spend being much lower than originally anticipated and a central provision for IT project spend not being required.
6. Costs in relation to Members Expenses are slightly over budget by £0.1m due to the year end accrual adjustment. The accrual calculates the potential outstanding claims as at the end of March that could be claimed for during the months of April through to June 2010.
7. Non cash costs are under budget by £1.0m because of a reduction in cost of capital charges. The charge has reduced as a result of long leasehold land being taken off of the balances due to the changes in accounting requirements from UK GAAP to International Accounting Standards.
8. The underspend of staff pay and pensions of £0.6m has been offset by the reduction of the pensions capital credit adjustment of £0.7m as a direct result of the pension liability increasing by £32.8m on the balance sheet. This has given a net impact of staff costs being on budget by the year end.
9. As expected, security costs for the year are £0.3m below budget, costs for outstanding overtime relating to 2009-10 have been accrued for in March 2010.
10. Other shared services are underspent by £0.2m largely due to an underspend in business continuity costs recharge.

Resource Expenditure by areas of responsibility (excludes capital)



Possible adjustments to 2009-10 outturn

11. All known adjustments have been accounted for within the statements provided and agree with those figures provided in the first draft of the 2009-10 Resource Accounts.
12. As always, there is a possibility as a result of the audit that these figures may change if significant differences are found.

Analysis of Underspend by Office

13. The following budgets show the greatest variances in monetary terms (greater than £100k) as at the end of the financial year:

Office	YTD variance £'000	Areas of underspend/(overspend):
Clerk of the Parliaments Office	228	<ul style="list-style-type: none"> • Business Continuity costs (£121k) • Senior Management training (£48k) • Pay and pensions (£33k) • Printing (£12k) • Consultants (£12k)
Members Expenses	(221)	<ul style="list-style-type: none"> • Primarily year end accrual for outstanding claims relating to 2009-10
Committee Office	234	<ul style="list-style-type: none"> • Pay and pensions (£75k) • External services (£40k) • Travelling (£87k)
Overseas Office	112	<ul style="list-style-type: none"> • UK conferences (£36k)

		<ul style="list-style-type: none"> Members related expenses (£77k)
Hansard	105	<ul style="list-style-type: none"> Pay and pensions (£38k) Printing (£21k) Capital investment (£10k) Travelling (£14k)
Library	104	<ul style="list-style-type: none"> Pay and pensions (£25k) Capital investment (£56k) Depreciation reduction related to fall in capital investment (£20k)
ICT	1,486	<ul style="list-style-type: none"> Various ICT projects
Department of Facilities	107	<ul style="list-style-type: none"> Pay and pensions (£64k) Training (£17k)
Security Costs	322	<ul style="list-style-type: none"> Met Police contract (£260k) Trapwire underspend (£38k) Projects and shared costs (£16k)
Estates and Works	3,666	<ul style="list-style-type: none"> Capital investment (£2,600k) Reduction in cost of capital in relation to long leasehold land off balance sheet (£1,500k)
PICT	393	<ul style="list-style-type: none"> Pay and pensions (£21k) IT services (£124k) Depreciation reduction related to fall in capital investment (£42k) Capital investment (£175k) Telecommunications (£26k)
No specific budget	(677)	<ul style="list-style-type: none"> Cost of capital credit adjustment in relation to the increase of the pension provision resulting from the actuarial valuation of the pension scheme

Conclusion and recommendation

14. As noted in my period 11 paper the House of Lords spend for 2009-10 is underspent by more than £5m, outturn and capital investment underspent by £3.6m and £2.9m respectively. The resource underspend is proportionately less than in recent years, but there is room for further improvement. The recent introduction of variance reporting by budgetholders should help in future.
15. Three main categories of underspend arose during the financial year:
- Capital investment;
 - Shared costs with the House of Commons; and
 - Pay and pensions
16. The series of savings meetings with budgetholders held jointly by the Reading Clerk and Finance Director have resulted in some worthwhile savings being identified for the current financial year. In addition to the savings exercise, more work will be needed in areas of high underspend, including ICT projects and staff costs, in the year ahead in order to improve budgeting.
17. The Board are invited to take note.

3 June 2010

Philippa Tudor